

The National Underwriter

LIFE INSURANCE EDITION

SATURDAY, OCTOBER 12, 1935

Excerpts from the Convention Examination Report

*Made by the Insurance Departments of
Missouri, Indiana, Iowa, Louisiana, North
Carolina, Oklahoma and Texas of the*

KANSAS CITY LIFE INSURANCE COMPANY

as of December 31, 1934

- "Our examination of the mortgage loan records has indicated to our satisfaction that the Company's loans have been made conservatively, both as to amount and margin of safety."
- "The Company has been careful in selecting their investments in bonds and have confined such investments to United States Government bonds and a wide diversification of States and high class County and Municipal bonds."
- "In its 1934 annual statement, the Company set up a reserve for depreciation of invested assets of \$1,000,000.00. After thoroughly analyzing all asset accounts and charging out specific items of loss, your examiners are of the opinion that \$325,000.00, which is approximately 5% of farm properties owned and 2% of city properties owned, is adequate to provide for all anticipated losses in this respect. . . ."
- "Summarizing the foregoing comment, it would seem that the Company's investments are well diversified, properly balanced and the earnings therefrom have been sufficient to provide interest improvement in policy reserves. The substantial mortality saving being maintained after discharge of contractual obligations for claims affords evidence that the underwriting policies are sound and the risks assumed are selected with care."
- "These facts combined with a trend toward greater liquidity, the maintenance of a substantial surplus after providing for statutory reserves and other liabilities, generally attests to the able and conservative management of the Company by its officers and directors."

KANSAS CITY LIFE INSURANCE COMPANY

HOME OFFICE: 3520 BROADWAY

KANSAS CITY, MISSOURI

J. B. REYNOLDS,
President

C. N. SEARS,
Secretary

*Agency inquiries should be addressed to
J. F. Barr, Vice-president and superintendent of agents.*

Over half a century
of cooperation with
agents and policy
holders. Unusually
attractive agency
contracts built on
the successful prin-
ciples of expansion
inaugurated at the
commencement of
our second fifty years
of greater service.

The **FRANKLIN**
LIFE INSURANCE CO.
SPRINGFIELD, ILLINOIS



*Address Agency Inquiries to Rollin Young
Vice President in Charge of Agencies*

1909

1935

MANY of the organ-
izers of this company
have remained active in
its management through-
out its history. This fact
has enabled a continuous
executive policy which
has assured the field men
of the permanency of the
conditions under which
their contracts are made.



MIDLAND LIFE
INSURANCE COMPANY

Daniel Boone,
President

KANSAS CITY, MISSOURI

The National Underwriter

LIFE INSURANCE EDITION

THIRTY-NINTH YEAR
No. 41-A

CHICAGO, CINCINNATI, SAN FRANCISCO AND NEW YORK, SATURDAY, OCTOBER 12, 1935
Office of Publication, 175 West Jackson Boulevard, Chicago, Illinois

AMERICAN LIFE
CONVENTION NUMBER

Gerard S. Nollen Head of Convention

Despite Advance, Problems Exist

Executives Eager to Assimilate
Anything to Help Improve
Their Companies

FIND FUTURE UNCERTAIN

Observations on Investments Intently
Followed—Much Informal Ex-
change of Ideas and Information

Convention Headquarters,
Edgewater Beach Hotel,
Chicago, Oct. 11

By C. M. CARTWRIGHT

The American Life Convention would offer very remunerative financial returns to one gifted with a keen prophetic instinct, who could look ahead for five years and tell exactly what would happen during that time. The seer would be obliged to guarantee the correctness of his foresight before being compensated.

The convention this year is not as solicitous as it was a year ago when the very air seemed to carry uncertainty. The financial condition of companies has improved greatly since the meeting of October, 1934. Notwithstanding there has been an advance and the structure of all companies is more solid, there are many problems of a most perplexing nature to be solved.

Throughout the entire proceedings one could see that officers were grop-

NEW OFFICERS ELECTED

PRESIDENT

Gerard S. Nollen, President Bankers Life of Iowa

MANAGER AND GENERAL COUNSEL

Col. Charles B. Robbins

ASSOCIATE COUNSEL

Ralph H. Kastner

ATTORNEY

M. E. Benson

ASSISTANT SECRETARY

Miss Mildred Hammond

ASSISTANT TREASURER

Miss Lillian Wille

EXECUTIVE COMMITTEE

New members—H. K. Lindsley, Farmers & Bankers Life, Wichita; U. S. Brandt, Ohio State Life, and W. T. Grant, Business Men's Assurance; holdover members—F. V. Keesling, West Coast Life; T. A. Phillips, Minnesota Mutual, and Harry Wilson, American Central.

ing for light and seeking knowledge. They cannot see very far ahead and speculate on what course to take. This is particularly true with regard to investments. Companies are forced to have a much larger proportion of their assets in liquid form. The declining rate of interest creates a real situation when a company management realizes that it is compelled to earn at least its legal rate of interest. The savings in interest which amounted to much in days gone by are just about eliminated.

Both in the Financial Section and in the convention proper, the observations on investments of various kinds were listened to with rapt attention. Executives were eager to assimilate anything that would help their individual companies. The exchange of views in private conversation was a noticeable feature in the hotel rooms and lobby.

In the Financial Section, Assistant Secretary R. Graeme Smith of the Connecticut General sounded an ominous note when he told of the firm conviction that companies had in the midst of the depression and the resolutions they formed for the future. As competition for good investments has increased much of these very desirable resolutions have been violated.

Competitive Features of Federal Financing

Another big subject before companies is the great activity of Washington in financing and making loans available up and down the line. Mr. Smith touched on this subject and called attention to some of the formidable competitive features. He took the ground that the forces at Washington were coordinat-

(CONTINUED ON PAGE 20)

New A.L.C. Head Takes His Post

President of the Bankers Life of
Iowa Is Inaugurated at Meet-
ing in Chicago

GRANT ON THE BOARD

Dallas Is Selected as the Meeting Place
in 1936—Strong Executive
Committee

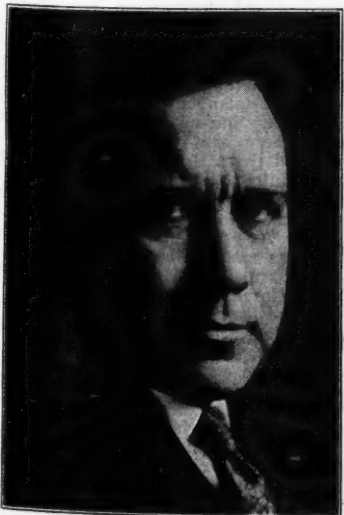
Convention Headquarters,
Edgewater Beach Hotel,
Chicago, Oct. 11

The next annual meeting of the American Life Convention will be held in Dallas.

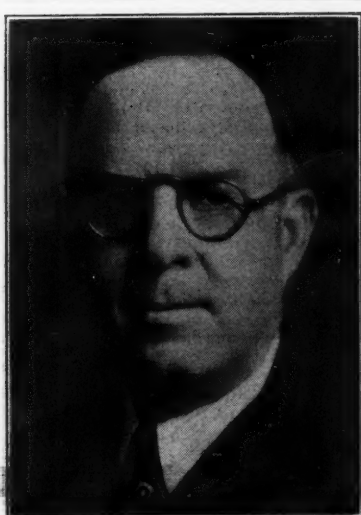
The annual meeting of the Medical Section will be held at White Sulphur Springs, W. Va., June 11-13.

The American Life Convention at its annual meeting at the Edgewater Beach Hotel in Chicago this week elected Gerard S. Nollen, president Bankers Life of Iowa, as president of the organization at the closing session Friday afternoon. Mr. Nollen who has been an active and resourceful member of the executive committee, is one of the most conspicuously successful western life executives, a man of renown in his city and state and one who has taken high

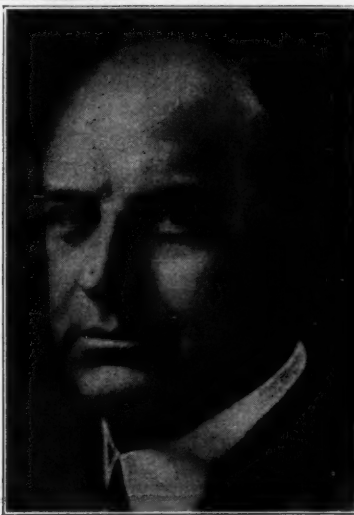
(CONTINUED ON PAGE 23)



GERARD S. NOLLEN, Des Moines
New President



HERBERT K. LINDSLEY, Wichita, Kan.
Retiring President



COL. C. B. ROBBINS, Chicago
Manager and General Counsel



RALPH H. KASTNER, Chicago
Associate Counsel

Optimistic Picture Given in Presidential Review

H. K. Lindsley of Wichita, head of the Farmers & Bankers Life, who served the American Life Convention so earnestly and conscientiously during the year, in his annual address referred to the convention's activities and machinery before branching out into more general observations as to the status of life insurance and its relations to the public. He said in part:

"It has been a year of great importance and significance to the life insurance business, and may be classified as the best year, in many ways, since 1929. Gains have been made in new business and reinstatements. Assets and reserves have increased. Lapses and surrenders have decreased and policy loans have steadily declined.

Demonstration of the Increased Confidence

"All of these facts demonstrate the continued and increased confidence of the public in the safety and stability of legal reserve life insurance. It has come to the rescue of those depressed, both in business and domestic relations during the period of depression. While no publicity was given to the individual transactions, by the companies, the policyholders themselves have told of their experiences and thereby created the desire of others to participate and protect themselves and their dependents through the one source that has been tried and proven capable of paying 100 cents on the dollar and fulfilling all of its contracts under any and all circumstances.

"Experience is the best teacher and comparisons are most convincing. The public at large has had plenty of both in the past five years. During that period of time more money was distributed by life insurance to living policyholders than has been spent by government in all of its efforts to relieve the distress of the unemployed and adjust the agricultural situation by paying the farmers for not raising crops and livestock. Sometime the life insurance statistician will write the story of the depression years in actual figures with the comparisons I have mentioned and it will be another convincing argument in favor of life insurance.

Moratorium on Cash Withdrawals Forgotten

"Prior to 1932 the insurance companies were meeting a strong demand for cash loans and surrender values and this virtually constituted a run of long duration. Banks and other businesses were being closed. Then came the federal government order for the bank moratorium which undoubtedly prevented a more acute and serious financial situation. Not until this situation developed did the various states offer a temporary moratorium to the insurance companies, intended to be helpful to the company and policyholder alike. The moratoriums on loan and surrender values were of short duration, never having been applied in full, and have long since been forgotten. I would not even refer to it at this time except to bring to your attention the quick adjustment and recovery made by the insurance business, in comparison with other lines of business.

"Perhaps the depression was a blessing in disguise so far as insurance is concerned as it gave so wonderful a demonstration of its ability to perform 100 percent in all of the beneficence for which it was inaugurated. We cannot say that our business has been free of all worry or trouble during the past five years, but we can say that no other financial institution as a whole has come through this period with as commendable a record as has the institution of legal reserve life insurance. This busi-

ness does not fail in the sense this term applies to other business. Only a very few companies have suspended operations and in such cases it was a rare exception where the claim arising from the death of the insured was not paid in full.

"Temporary liens were placed on cash loans and surrender values on the business of the suspended companies and these are gradually being released as the reinsuring company can realize on the assets of the business taken over. In many instances the prohibition against the loan and surrender value operated to maintain the insurance in force that might have otherwise been canceled to the loss of the beneficiary under the policy. Statements have been made that might give the inference that the total amount of insurance in force of the suspended companies was a total loss to the policyholder but such statement is far from the truth. It is estimated that for the business as a whole the actual loss to policyholders has been less than 1/10 of 1 percent and I challenge any other line of business to show as good a record for the past five years.

Much Credit Given to State Supervision

"Much credit can be given to the wise and conscientious supervision of this business by the insurance commissioners. Their rulings have been fair at all times and their adherence to the law and its application to this business is highly commendable. They are men of integrity, vision, and business capacity. Their position and relations to the individual company, chartered under their state laws gives them an opportunity to know more of the details, management, and value of assets of the company, than any other persons or organization could possibly acquire. I am sure that the American Life Convention will continue to work in harmony with the insurance commissioners in every way possible for the improvement of the business and to defeat any destructive features that would be harmful.

"Legal reserve life insurance from its inception has been the greatest plan ever devised by the mind of man to promote and safeguard social security, to take care of old age, and provide for dependents, after the bread-winner has passed on. This principle was given recognition. (CONTINUED ON PAGE 16)

Two Fathers Watch Sons Preside at Gatherings

Two sons were chairmen of section meetings. James C. Jones, Jr. of St. Louis was chairman of the Legal Section. An interested spectator was J. C. Jones, his father, the nestor of that body. E. B. Raub, Jr., counsel of the Lafayette Life presided over the Financial Section. His father President E. B. Raub, Sr., of the Indianapolis Life, sat with deserved paternal pride in the meeting of that section. The mother attended the morning session.

A. L. C. Golfers on the Links Monday and Tuesday

Henry Abels, vice-president Franklin Life, but far more important in his position as chairman of the A. L. C. Golf Club, marshalled the contestants Monday and Tuesday at the Bunker Hill Golf Club for the annual tournament. The winners were as follows:

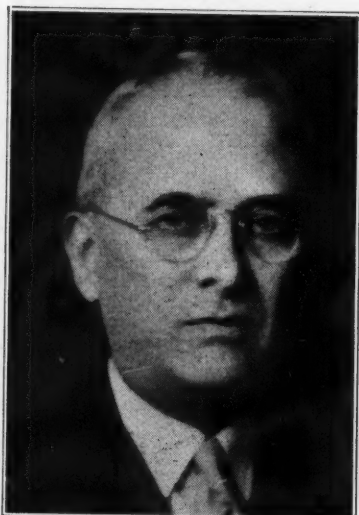
First Flight.
Winner—Henry Abels, Franklin Life.
Runner-up—T. A. Sick, Security Mutual, Neb.
Second Flight.
Winner—B. H. Mitchell, Guaranty Trust Co., Dallas.
Runner-up—W. P. Stevens, Scranton Life.
Third Flight.
Winner—J. J. Moriarity, General American Life.
Runner-up—Allen Spencer, Retail Credit Co.
Fourth Flight.
Winner—W. W. Head, General American Life.
Runner-up—W. H. McBride, National Life & Accident.
Low Gross Score—T. A. Sick, Security Mutual, Neb.
Second Low Gross—H. G. Royer, Great Northern Life.
Low Net Score—H. G. Royer, Great Northern Life.
Second, Low Net—F. D. Meacham, Hooper-Holmes Bureau.

Convention Membership

The American Life Convention now has a membership of 132 companies in 36 states, the District of Columbia and three Canadian provinces.

President Lindsley referred to the Life Presidents Association as "our sister organization." The question immediately arose as to the sex of the American Life Convention.

Elected Members Executive Committee



U. S. BRANDT, Columbus, O.
President Ohio State Life



W. T. GRANT, Kansas City, Mo.
President Business Men's Assurance

Supreme Court Is Robbins' Delight

A. L. C. Manager, in Report, Pays
Respects to Highest
Tribunal

REVIEWS THE DECISIONS

Immediate, Pressing Need Is for Security
Investments Yielding Reserve Requirements, He Asserts

Col. C. B. Robbins, manager and general counsel of the American Life Convention, gave his annual report speaking with pride of the stability of the United States Supreme Court, stating that the nation can rely on it to uphold the constitution. The highest law, he said, recognizes security in property as being equal to security in person.

In the course of his report Col. Robbins related some of the important state and federal decisions that have affected life insurance during the year. He mentioned the United States Supreme Court decision that reserves set up by a life company against liability on matured unpaid coupons attached to policies did not constitute "reserve funds required by law" within the meaning of the federal reserve act and hence were not to be included in calculation of deductions from taxable income. There were decisions on tax questions. One of the important decisions was by the Supreme Court holding the Frazier-Lemke act unconstitutional.

Anticipatory Breach Frequently Charged

Col. Robbins said a question that is becoming increasingly important because of the number of cases in which it is arising is that of anticipatory breach or the commutation of future disability payments on account of an alleged breach of contract.

An innovation appeared this year, he said, in the interpretation of the clause "This policy shall be incontestable after two years from its date of issue except for non-payment of premiums and except as to provisions and conditions relating to disability benefits."

Col. Robbins related interesting facts regarding the operation of the American Life Convention, telling about the "Legal Bulletin," "Legislative Bulletin," series of special bulletins. There were 84 issued during the year. There has been added during the year a fortnightly news letter which was begun in January containing matter of interest to members of a general nature and items of particular interest regarding the personnel of member companies. He said the agency bureau cards have increased until there are over 14,000. He announced there is now in process of being printed a complete new digest of all federal and state laws directly or indirectly affecting insurance.

The American Service Bureau, he said, has made progress and has served more companies in a broader way than ever before.

He reviewed the annual meeting of the Medical Section at Excelsior Springs. Since the executive office was moved to Chicago far more executives are calling and getting in touch with the management. Since Jan. 1 there have been over 100 who called at convention headquarters. He referred to the mid-year meeting of the Financial Section in Chicago, there being 91 in attendance.

New companies admitted during the year were: Alliance Life of Peoria, American Reserve of Omaha, Cosmo-

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Building Agency Morale Is Discussed

Official Patience, Sympathy Needed

President S. F. Clabaugh Presents Chief Executive's Viewpoint on Morale

STRESSES INSTITUTION

Service Alone Will Not Sell—Gives Greater Opportunity But Agent Must Not Relax

While the greatest factor in sustaining the morale of all men engaged in the life insurance business has been the record of the institution as a whole during the last five years, S. F. Clabaugh, president of the Protective Life of Birmingham, Ala., declared in his talk before the Agency Section Friday on the subject "The Chief Executive's Viewpoint," company officials must not rely on the mere fact of the fine record of life insurance, but must make it a living, moving force.

The agents, the public and company officials themselves never should be permitted to forget the great service that life insurance has rendered. But that fact in itself will not sell life insurance. It merely gives a greater opportunity and advantage in selling it. It can become a handicap if the agents are permitted to rely on it and relax their efforts.

Should Carry Message of Social Security Work

"Individually and collectively," he said, "through every legitimate medium, we should carry to a world searching for social security the message that the institution of life insurance has afforded in the past and will afford in the future the greatest social security the world has ever known."

Mr. Clabaugh said agency morale and company loyalty can depend upon something more than human frailty; that the company is something apart from and greater than the personality of any of those who compose it. It is an institution, an ideal. With that conception the agent's morale is not broken by all of the petty things that arise in human relationships. The agent with this viewpoint knows that there are many excellent companies; his may not be the best, nor even so good as some others, but it is the vehicle or instrument that he has chosen to accomplish his life work, and he therefore owes it a very definite allegiance.

Conceptions of Company, Profession Are Important

"Equally important as his conception of the company," Mr. Clabaugh said, "is the agent's conception of his profession—his place in the work of the world. This is a subject that has not been neglected. From the very beginning he is told of the value and the dignity of his work, the difficulties and the opportunities."

Mr. Clabaugh told of seeing a grocer's exhibit in the Century of Progress exposition in Chicago, which told a story, not of selling groceries, but "the dramatic, thrilling, inspiring story of the work of feeding a nation. And I thought that we, too, are selling groceries for future delivery."

He mentioned the statement of a roof-

(CONTINUED ON PAGE 18)

Agency Morale Factors Given by Lester O. Schriver

In a well organized talk, Lester O. Schriver, Peoria, Ill., Aetna Life general agent and president of the National Association of Life Underwriters, discussed the building and sustaining of agency morale in a paper on "The General Agent's or Manager's Viewpoint."

Agency morale is the most vital problem in field management. Either good or bad it is a part of the warp and the woof of every agency pattern. Mr. Schriver reviewed the subject from three phases, that of the agency manager, the agent and the agency as a whole. The objectives of the director of agencies were outlined by Mr. Schriver as follows:

Agency Manager Is the Company in Community

"In the first place, the agency manager is the company which he represents in any given community. He should therefore be a man of character and integrity, with a deep and abiding faith in his company."

"Second. He should be something of an idealist, but he must also be a realist and face the facts. After all, our ultimate purpose is to produce as large a volume as possible of wholesome persistent business."

"Third. He must have horse sense enough to select promising ventures. Those with a high probability of success. And by the same token he should know when to get out of losing ventures. Too many general agents or agency managers do not know enough to quit a losing proposition before it costs them too much."

"Fourth. He should utilize competent personnel. Times such as these show up the incompetent. We keep many men too long. Nothing destroys agency morale so quickly as the retention of the non-producer or the producer who is not making a living. Too many barnacles are bad for any enterprise."

"Fifth. The ideal agency manager is a man of ideas, but he should be willing to act under authority. Any successful business enterprise proceeds scrupulously under constituted authority. If you

would have proper agency morale don't crab the company every time you get an adverse decision. After all, someone must act as umpire."

"Sixth. Provide adequate capital. A prospective agency manager should have adequate capital or credit to extend such accommodations as constitute good business."

"Seventh. An agency manager should be personally financially solvent. Nothing will destroy agency morale or a company's local reputation so quickly as financial irresponsibility."

"Eighth. The agency manager should be a leader. A leader in community enterprises. A leader in his profession. And a leader of men. The agency manager's reputation as a citizen, as an outstanding man in our business, and a competent, sympathetic and at the same time exacting general will do much to establish the right kind of morale in his organization."

"Nine. Every agency manager should have for his ideal the creation of the kind of atmosphere and reputation for his agency that will attract the right kind of new men. That involves the right kind of contacts, the right kind of publicity, and a personnel that will inspire confidence. This is only the beginning and has to do almost exclusively with the purpose and function of the agency manager."

Fundamental Points in Supervising Life Agents

"All that we have had to say up to this point has to do with the general qualifications of the agency manager. But agency morale also has to do with the things that must be done with and for the agent. After all, he gets the business and it is for and because of him that the agency manager and the company exist. The agent is temperamental, he is human and he is living on a commission. To keep up his morale is therefore our greatest job. How can it be done?"

"First. Teach him the business. Teach him by example and precept what

(CONTINUED ON PAGE 19)

Agency Section Meeting Is Held

Subject Is Viewed From Angle of President, Agency Executive, Manager

WHATLEY IN THE CHAIR

A. L. Dern Is New Chairman and E. B. Stevenson, Jr., of Nashville, the New Secretary

NEW OFFICERS ELECTED

Chairman—Alfred L. Dern, vice-president Lincoln National Life.
Secretary—E. B. Stevenson, Jr., vice-president National Life & Accident.

The Agency Section program and proceedings are always of lively interest because the talks deal with field problems, production and handling of the rate book men. S. T. Whatley, vice-president of the Aetna Life as chairman, presided over the deliberations and A. L. Dern vice-president of the Lincoln National sat by his side as secretary of the section. Mr. Dern later was promoted to the chairmanship. He has a dynamic personality and has injected into the Lincoln National forces much of his own spirit and enthusiasm.

The general theme of this year's meeting of the section centered on "Building and Securing Agency Morale." There were three set speakers to look at the subject from three different standpoints. President S. F. Clabaugh of the Protective Life of Birmingham took the chief executive's side of the question. Vice-president Frank H. Davis of the Penn Mutual stood on the promontory of the chief agency officer. Lester O. Schriver, general agent of the Aetna Life at Peoria, fresh from the annual convention of the National Association of Life Underwriters at Des Moines where he was elevated to the presidency looked at the landscape with the eye of the manager.

Committee Would Continue Study of Agency Problems

Acquisition cost, man power and production, three problems that long have confronted life companies, apparently will continue for a long time to come, the agents and agencies committee reported at the session Friday. Possibly of even more importance, however, the committee stated, are the questions of conservation of business and compensation of agents.

"The low interest rate factor, which men of authority claim will be with us for an indefinite period, necessitates more profit from underwriting. This takes in not only the loss of business the second and third years, but subsequent years. Also, the average life of policies must necessarily be extended."

The report, made by John J. Moriarty, vice-president General American Life, recommended the committee be continued for the next year to study these problems closely and endeavor to formulate methods of attack in solving them, the committee confessing it was unable to present any specific recommendations or suggestions at this time.

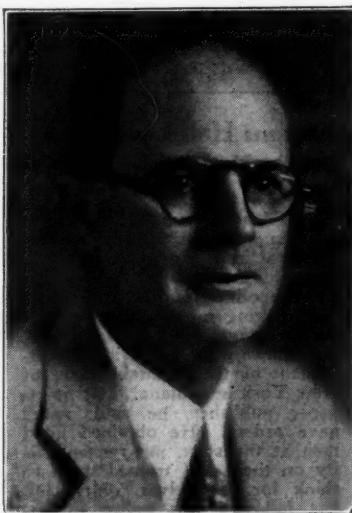
The other members of the committee were J. D. Morse, president Home State Life, Oklahoma City; M. A. Hyde, vice-president and secretary Security Mutual Life, Lincoln, Neb.; R. L. MacClell-

(CONTINUED ON PAGE 22)

Conduct Agency Section



ALFRED L. DERN, Lincoln National Life New Chairman



S. T. WHATLEY, Aetna Life Retiring President

Maine Is Reelected by Industrial Men

Definite Study of Special Research Bureau to Be Made

NETTLESHIP SECRETARY

Williams Talks Facts and Figures—
Adsit Views Agency Plans—
Hohaus on Pensions

OFFICERS REELECTED

Chairman—J. F. Maine, London Life.
Secretary—F. M. Nettleship, Equitable Life, D. C.

By CHARLES D. SPENCER

The aggressive leadership of J. F. Maine, London Life, was again recognized at the Industrial Section's meeting when he was reelected chairman for the third term after being paid a tribute by W. J. Bradley, Home Life of Philadelphia. F. M. Nettleship, Equitable of Washington, was reelected secretary. After a prolonged discussion it was decided to settle the proposed industrial sales research bureau question by having a committee study its possibilities and cost and make definite recommendations to the American Life Convention's executive committee. The research bureau idea has been pushed by Chairman Maine for several years. Last year the possibilities of getting the Sales Research Bureau of Hartford to take over the work were considered but, as the bureau is lukewarm towards this suggestion, the consensus favors the establishment of an organization within the A. L. C. Such action would probably strengthen the A. L. C. as an organization for industrial companies and bring several non-member companies into the fold.

Maine Tells Advantages of Centralized Bureau

The advantages of a central exchange of industrial information were set forth by Mr. Maine in his report as chairman and after the formal talks he broached the subject again. He urged that the industrial companies solve conditions by establishing a laboratory for the benefit of all members. Methods for selecting men most suitable for the business and managing them to get the best results would be gathered from many sources by the centralized bureau, saving much time and effort and effecting economies in management.

General Counsel Estes, Life & Casualty, urged that the proposal be studied more carefully before any definite action was taken. President L. F. Lee, Occidental Life, N. C., who only recently has gone into the industrial business, said that it was quite apparent that a sales bureau would be of great benefit. There is a great variety of opinions in the industrial field and contracts and methods differ and standardization is needed. He said that many industrial companies will join the American Life Convention if a sales bureau is established.

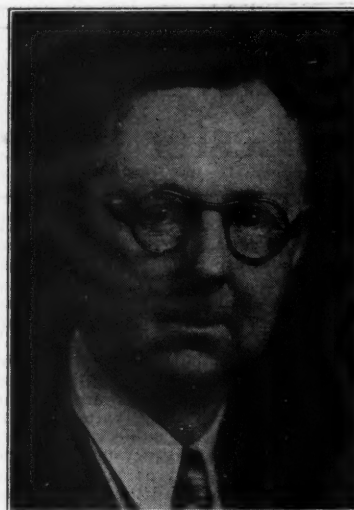
Information of Great Benefit to Small Companies

J. D. Morse, president Home State Life, said that a sales bureau would be of great benefit to the smaller companies. He urged immediate action, holding that if the section didn't express enthusiasm for the project the A. L. C. officials wouldn't give the plan much consideration, as the cost is a factor. Otis P. Grant, Life & Casualty, Tenn., said that the Sales Research Bureau of Hartford had estimated that an industrial bureau would cost \$30,000 a year. Secretary Nettleship, Edwin W. Craig, National

Industrial Section Speakers



REINHARD A. HOHAUS, New York City
Assistant Actuary Metropolitan Life



GEORGE A. ADSIT, Philadelphia
Agency Manager Girard Life

Two important speakers before the Industrial Section of the American Life Convention this week in Chicago were Assistant Actuary Hohaus of the Metropolitan Life and Agency Manager Adsit of the Girard Life. Their talks aroused deep interest.

Life & Accident, and F. P. Samford, Liberty National, gave their opinions. When it looked as if no definite action would be taken, Felix Rothschild, Sun Life of Baltimore, criticized the industrial companies for their lack of cooperation and urged that they get together and settle the issue. This got the desired action.

Constructive Suggestions Presented by Adsit

A forward looking talk by G. A. Adsit, manager of agencies Girard Life, on getting industrial agents to sell more ordinary, contained a multitude of constructive suggestions and progressive thoughts. He emphasized the necessity for dual production on the part of the industrial agents and told how the companies can secure balanced production by proper emphasis on management and training. There is a tendency for the agent to specialize in industrial because he is first trained along that line and it offers the least line of resistance. To eliminate the maze of complications regarding ordinary which confuse the new agent, Mr. Adsit recommended that special ordinary policies be sold, the agent using a definite sales story and an illustrated sales guide for the particular approach. This program can be enlarged as the agent develops.

In considering the difference in ordinary commissions paid industrial and ordinary agents, Mr. Adsit suggested that adjustments be made in post-termination renewals on ordinary business

for at least the larger producer to check any tendency toward bootlegging of the large sized ordinary contracts to regular ordinary companies.

Mr. Adsit's industrial experience is based on his years with the John Hancock Mutual Life. In the discussion following his talk, E. B. Stevenson, Jr., National Life & Accident, said that a balanced program of ordinary and industrial depended greatly on the training of the managers. Not only must the agents be ordinary minded, but effort must continue to keep them so, or the effect would wear out. Mr. Grant said that he did not believe in emphasizing the distinction between industrial and ordinary. The combined system gives the agents a wide variety of policies to satisfy every need, while some companies have even added monthly payment forms to fill the gap between the weekly payment industrial and quarterly payment ordinary. He believes in keeping the men on the debit and not allowing them to go away from it to write ordinary,

Williams Tells of Fight Against Depression

The progress made by his company since 1930 in overcoming the effects of the depression was outlined by Charles F. Williams, president of the Western & Southern Life, in his talk, "Adequate Volume of Adequate Quality at Adequate Cost." Mr. Williams talked facts and figures. After a complete survey of the situation in 1930 the Western & Southern Life decided to rebuild its field force to get volume of good quality. The hangers-on were replaced by carefully selected recruits. It was decided that every debit, every staff and every district had to show an increase or the business wasn't profitable. Extra salary is now given on a graded basis, with the agent with the large increase getting a greater proportion than the man with the smaller increase. Nothing takes the place of money in building a field force, said Mr. Williams. To get good men one must pay them well. Thorough training of new men, with careful checks on their progress by the home office, is now in effect. Lapses are studied carefully and conditions which tend to produce them checked.

A strong case for "Group Pensions for Industrial Agents" was presented by R. A. Hohaus, assistant actuary Metropolitan Life, in narrative form. He urged that some provision be made for retiring the older men on the debit who are not able to longer work efficiently. Mr.

(CONTINUED ON PAGE 21)

Social Security Act Is Featured

Linton and Strawn Discuss Subject in Addresses Given Thursday

ARTHUR F. HALL HEARD

Day Starts With Caucus of Executive Committee to Ponder the Company Rating Subject

The executive committee held a meeting Thursday morning to talk over the coming executive session that afternoon when the company rating subject was to be aired.

A scholarly review of the effects of the social security act on life insurance was presented by M. A. Linton, president of the Provident Mutual Life. The advantages that the publicity gives provisions for old age under the social security act in educating the public along these lines will be of much greater benefit than any ill effect which life insurance may feel from the act, he contended.

What concerns Mr. Linton most is the possibilities of the huge reserve which will be created through the pension plan being used for political purposes. He called attention to the British provision which he feels is more satisfactory as it provides for an ample reserve plus current funds raised by a general tax. He called attention to the huge cost of the federal provision for old age contributions to the state and the cost of the unemployment insurance. However, if the social security act eliminates hardships and fulfills its objective, the cost will be worth while.

Mr. Linton said that the dangers in the federal act repose largely in the political realm. He hopes revisions will be made to make the plan safe and sane. There will be ample time to do this before it begins functioning. He observed that there is great need for clearer thinking in building up such huge proposals.

Attorney Silas Strawn Appeared on the Program

Attorney Silas H. Strawn of Chicago, eminent barrister, former president of the American Bar Association and the U. S. Chamber of Commerce, spoke on some phases of the social security program set in motion by the federal government. He interposed in his serious comment some amusing anecdotes. Mr. Strawn characterized this program as economically preposterous and legally unenforceable. It will bankrupt the citizenry and destroy the nation's credit, he averred. He feels it violates the constitution and disregards the decisions of the U. S. Supreme Court. The purchasers of smaller amounts of life insurance and annuities, he said not being able to buy both private insurance and meet the tax from old age pensions and contributory insurance must turn only to the government.

Mr. Strawn in calling attention to the mounting taxes voiced the belief that the burden in the future will be unbearable. He deprecates this tendency toward unsound taxation. Last year the tax bill was 20 percent of the national income. Increasing taxes are due to added governmental activities. The governmental outlay is 53 times more now than in 1880. The national debt will soon reach 47 billions.

The life companies, he declared, will be able to meet their obligations because of their reserves but their earnings will be materially reduced and dividends nat-

generally will decline because of heavy taxation. One fact, he said that will affect life insurance is the active participation in the loaning and financial field, thus coming into direct competition. This will not be a temporary expedient but he contends will be perpetuated. With the government entering so largely in the investment field, he stated that the insurance company problems will not be less.

Hall Outlines Principles For Personnel Development

A great many fine ideas were brought out by President Arthur F. Hall of the Lincoln National Life in his talk on "Development of the Official Staff of a Life Insurance Company." Intelligent and ambitious men work for something more than money, he declared. They want pleasant business associations, they want to be proud of their record and the reputation of the officers as well as the record and reputation of their company. They also crave recognition both publicly and in the pay envelope for their accomplishments. He told how his organization develops initiative and encourages and develops the younger men for replacements. Younger men bring new ideas into the organization and keep the older officers from becoming mentally lazy.

Barry Needs No Advertising

Much merriment was started in the lobby by a discussion between J. V. Barry, vice-president Life Extension Institute and former vice-president Metropolitan Life, and his successor in the latter position, C. G. Taylor. Mr. Barry declared he needed no special publicity. He called attention to the glass case in the lobby where "Old Taylor" was spiritually advertised.

John C. Kidd, former Indiana commissioner and now manager of the association of legal reserve companies of that state, was in attendance.

Canada Speaker



V. R. SMITH, Toronto
General Manager and Actuary
Confederation Life

J. A. Fulton Tells of His Early Sales Experience

President James A. Fulton of the Home Life, who was the spokesman for the Life Presidents Association, told of his early experience as a rate book man. He worked with another agent in rural territory.

The company was only three months old and it had \$125,000 assets. He said that in those days when people arrived at a farm at meal time they were always asked to eat with the family. A favorite

farm house was known for its very savory meals. Accordingly about every two months this pair of life men would drive to this home about 11 a. m. and would be asked to dinner. After the farmer had wiped the ham gravy from his upper lip with his hand he would turn to his wife and say: "Ma, do you think we should buy some life insurance or continue to buy food for the boys the rest of the summer? The farmer had long flowing black whiskers, Mr. Fulton saying it looked as if he had swallowed a black horse.

Convention Notes

W. J. Bradley, publicity manager and agency inspector of the Home Life of America at Philadelphia, and Mrs. Bradley motored west, attending the Life Office Management Association at Cincinnati and then drove to Chicago for the American Life Convention sessions. Mr. Bradley is the founder of the Industrial Section and was its first chairman.

* * *

The convention maintained a press room for newspaper men. This was equipped with telephone, typewriting machines, telegraph blanks and other press facilities.

* * *

J. V. Barry, vice-president Life Extension Institute, and close personal friend of the late Henry F. Tyrrell, legislative counsel Northwestern Mutual Life, did a gracious thing Tuesday when he went to Milwaukee to pay his respects to Mrs. Tyrrell.

* * *

United States Senator Morris Sheppard of Texas was at the hotel attending the meeting of the directors of the Woodmen of the World of Omaha, he being one. President De E. Bradshaw was on hand to preside.

* * *

President J. B. Reynolds and Vice-President F. W. McAllister of the Kansas City Life will soon go to famous game preserves 100 miles south of

Sees New Order



CHARLES F. WILLIAMS, Cincinnati
President Western & Southern Life

Kansas City to shoot ducks. Mr. Reynolds had just returned from a six weeks' trip to California where he had his horses entered in races.

* * *

C. L. Ayres of Detroit, president of the American Life, was present for the first time in two years. A year ago he was laid up on account of a severe automobile accident and two years ago he was critically ill owing to a major operation.

* * *

J. J. Cadigan, president New World Life, Seattle, and F. V. Keenling, vice-president West Coast Life of San Francisco, were the advance guard of the far western delegation.

For Over 84 Years

IN 1851 the Massachusetts Mutual issued its first policy. From that day to this its constant endeavor has been to furnish the best possible life insurance service at the lowest possible cost. That it has been successful is shown by the enviable reputation which the company enjoys among those who buy insurance and among those who sell it.

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

Springfield, Massachusetts

More Than 650 Million Dollars Paid to Policyholders
and Beneficiaries Since Organization

Supreme Court Is Robbins' Delight

(CONTINUED FROM PAGE 2)

politan Old Line, Nebraska, Great American Life of San Antonio, Illinois Bankers Life of Monmouth, Ill., Lincoln Liberty Life of Lincoln, Neb., Monarch Life of Springfield, Mass., Pyramid Life of Topeka, Service Life of Omaha, Sun Life of Baltimore, United States Life of New York and Washington National of Chicago.

Col. Robbins in his report made some general observations as follows:

Shift in Investments of Life Companies

"The sense of insecurity which has pervaded the nation for the last five years has been faithfully reflected in the investments of life companies. Laws which were impairing the obligation of contracts, and particularly those contracts representing the obligations to pay money where the security was real estate, have caused a tremendous shift in the investments of life companies. From the latest figures available, we find that during the past year farm loans have decreased \$258,000,000, or about 21 per-

cent, now standing at \$1,000,000,000; that city loans have decreased \$521,000,000 or 10.5 percent, and now stand at \$4,483,000,000; that real estate has increased \$426,000,000, or 28 percent, and now stands at \$1,954,000,000, an all time high; that policy loans and premium notes have decreased \$91,000,000, or 2.6 percent, and now stand at \$3,389,000,000; that United States bonds have increased \$1,137,000,000, or 92.5 percent, and now stand at \$2,367,000,000; that state, county and municipal bonds have increased \$160,000,000, or 16.5 percent, and now stand at \$1,135,000,000; and that public utility bonds have increased \$300,000,000, or 14 percent, and now stand at \$2,000,000,000; while railroad bonds have increased only \$12,200,000, or 1/2 of 1 percent, and now stand at \$3,161,000,000.

Effect of Foreclosure Proceedings Shown

"Undoubtedly the tremendous increase in real estate shown has been due to foreclosures which were begun in 1933, but upon which title to lands acquired did not mature until 1934. Next year will show a very substantial change in the ratio of increased holdings of real estate, for foreclosures started during 1934 are but a small fraction of those begun in 1932 and 1933,

and the ratio has continued to decrease during 1935.

"The current condition of life companies in the United States is shown by an increase of 6 percent in assets during the past year, and it is very apparent that with the recovery from depression life insurance will again resume its onward march as the greatest financial safeguard that stands beside the homes and firesides of our people.

"The immediate, pressing need of the companies is for secure investments at a rate of interest which will permit them to accumulate funds to the credit of their policyholders at the rate of interest provided in the policies. Money, like every other commodity, closely follows the law of supply and demand, and as the nation recovers from the effects of the depression and there is an increased demand for credit, the prevailing low interest rates will disappear, as they have at the close of past depressions, and once again the companies can earn an adequate interest rate on their investments."

F. E. Inbau, Scientific Crime Detection Laboratory, Northwestern University, at the luncheon of the Legal Section the first day had to talk while a baseball scoreboard was set up near the rostrum, and there was set down the score in the deciding world series game.

Fraternal Congress Head Brought Warm Greetings



PETER F. GILROY, Denver, Colo. Peter F. Gilroy, head of the Woodmen of the World of Denver, who is president of the National Fraternal Congress, brought greetings from his organization.

Executive Staff Was Very Well Represented

The executive staff of the American Life Convention was well represented. Coming from the head office were Manager C. B. Robbins, Associate Manager R. H. Kastner, Attorney M. E. Benson, Assistant Secretary Mildred Hammond, Assistant Treasurer Lillian Wille, and Publicity Director D. R. Schilling. A stenographic bureau was maintained with Susan Clark, Suzanne Lear, Lois Black and Flauceil Barnett. The American Service Bureau was represented by General Manager Lee Parker, Executive Vice-president Barrett Woodsmall, Vice-president and Secretary M. B. Cedarstrom. Miss Clarke was in charge of the women's headquarters.

Lindsley Mixed on Names

President Lindsley in calling Henry Abels, vice-president Franklin Life to preside during the presentation of his presidential report, referred to his company as the "Lincoln Life." When Mr. Abels opened the way for Mr. Lindsley to speak, after paying due tribute, asked whether it seemed proper to name the company of which the president is chief executive.

Convention Notes

Walter A. Robinson, actuary of the Ohio insurance department, arrived Tuesday.

* * *

The American Life Convention does a gracious act every year in inviting Mrs. T. W. Blackburn of Omaha, widow of the first secretary and one of the founders of the organization, to be present. All her expenses are paid.

* * *

De E. Bradshaw, head of the Woodmen of the World of Omaha, was one of the interested listeners at the Financial Section meeting.

* * *

T. F. Cunneen, manager insurance department U. S. Chamber of Commerce, arrived Thursday.

* * *

Frank P. Manly, former president Indianapolis Life, hobnobbed with old friends. Before organizing that company he was Indiana manager of the Prudential. Mr. Manly started his insurance career as an agent of the Equitable of New York in Chicago and then carried a rate book for the Mutual Life in that city.

CHECK!

- ✓ Why boast about attractive agency contracts?
Every successful, alert company has them.
- ✓ Why ballyhoo over a collection of unique policies?
Every aggressive, properly equipped company has them.
- ✓ Why brag about up-to-date sales plans and material?
Every efficiently managed company has them.

—Then wherein lies the difference between companies?

It lies in Character, Personality, and Ideals!

- YOU want a company that recognizes you as an important factor in its organization.
- YOU want to feel that you are a respected, personally-known member of a live and pulsating human force—not a number in a machine.
- YOU want a warm spirit of friendliness and good-fellowship throughout the organization of which you are a part.
- YOU want, in a word, to be a man among men and enjoy individuality and life—not to be allowed to feel small, unrecognized, ignored.

Why not give a thought to the
AMERICAN CENTRAL LIFE INSURANCE COMPANY
Established 1899 Indianapolis

"GUARANTEED BENEFITS—GUARANTEED LOW COST"

Group Round Table of Great Interest

New Session Brings Out Large
Attendance and Discussion on
Many Lines

LOUNSBURY IS CHAIRMAN

Practices and Experience of Companies
That Have Majored in That
Field Are Presented

Representatives of companies interested in group insurance had a session Thursday night with President R. R. Lounsbury of the Bankers National Life presiding. This session created much interest and there was a larger attendance than anticipated. It was brought out during the discussion that the prevailing impression that the Group Association is more or less of a closed organization is not true. Members of the Group Association who were present stated that any company would be welcomed into membership if it were qualified and would agree to abide by the rule. This brought out statements that owing to competitive conditions there is more or less twisting of group insurance as well as individual ordinary policies. Often a non-conference company will make a bid for group without contacting the original company and perhaps it will inherit a very unprofitable piece of business. The older companies writing group insurance seem willing to give full information as to their experience where either a conference or non-conference company is asked to bid on a group. The association companies declared that all they desired to have done was to have an outside company contact them before making the bid on their business.

Trade Association Groups Not Considered Profitable

In the discussion the general impression prevailed that group insurance on members of trade associations or coteries of persons allied in the same field has not been profitable. There is no logical basis of premium collections and those who have had long experience in the business do not feel that there is any sound basis for treating such organizations as eligible for group insurance. The laws of some states would forbid classing these as groups. One company has found that its experience with postal employees in Denver has been favorable. When premiums increase with age, it has been found in these groups that the younger ones will drop out.

There was some discussion as to old group policies which carried the total and permanent disability clauses. In some lines this has been the deciding factor as to whether a group would be profitable or not. Seemingly no company made a concerted drive to have the total and permanent disability clause removed. It was a contract factor which enabled the employer to continue on the old basis. However, an employer was shown that it was to his advantage to show a profitable experience and therefore arguments were presented to convince him that there should be a readjustment. He was usually given the privilege of having the clause eliminated entirely or paying an extra premium.

It was brought out that the clause could not be removed without the consent of the employer. Some companies issued new certificates without the clause and gave notice to employers that the clause had been removed. Under

Presides at the Group Insurance Round Table



RALPH R. LOUNSBURY, Montclair, N. J.
President Bankers National Life

those cases a new solicitation was made and new cards were signed. There was a prevailing opinion that companies would not disturb groups where the total and permanent disability clause was in effect if the experience had been favorable.

Where a group has proved particularly unprofitable, some stated they had been able to retire from the group entirely by insisting on a much higher charge for the disability clause. One company has its service supervisors visit employers carrying group insurance once a year, getting information and keeping in contact with these various groups. Under the group rules if the number falls below 50 the master policy can be cancelled. This enabled some companies to get off unprofitable lines. There is a chance for wider fluctuation on these small groups.

Some of those present called attention to the bad experience in the neighborhood of Little Rock, Ark., where a number of attorneys have trumped up disability claims and pressed companies for payment. It was stated that the courts have been very free in giving judgment. Therefore, there has been a strenuous effort on part of most companies to get rid of total and permanent disability policies in that state.

Question as to Experience Under Extension of Benefit

Some companies have had a rather unfavorable experience in other southern states. One member called attention to the fact that the punitive damage act in South Carolina is a disturbing factor. Another stated that where the instalment total and permanent disability provision had caused an unfavorable experience, his company had induced employers to change to the waiver of premium plan and this had been satisfactory. One member stated that where there had been a very bad experience on group, no increased rate would take care of the situation.

One question was asked as to what had been the experience under the extension of benefit clause. In this case the employer continues to pay the premium. The older companies stated there had not been sufficient exposure and experience to give any authoritative information. It was felt, however, that it was less costly than the total and permanent disability benefit.

Another point discussed was whether labor unions constitute a desirable group class. All agreed that most of these were not desirable. The underwriting would depend on the character of the

(CONTINUED ON PAGE 22)

Silver Jubilee

Continental Assurance

... now in its 25th year

... continues steadfastly

in growth and service

... Our Silver Jubilee

Drive has special at-

tractions for aggressive

agents with high stand-

ards. . . .



Continental
ASSURANCE
COMPANY
CHICAGO

Affiliated with Continental Casualty Company

An Important Message

Oct. 4, 1935

PERSONAL COPIES OF THIS LETTER
HAVE BEEN SENT TO EXECUTIVES
OF ALL LIFE INSURANCE COMPANIES

In view of the situation that has been caused by reason of publishers of life insurance reports rating or recommending companies, The National Underwriter wishes to make known the policy it will pursue in connection with the publication of financial and company information in its Unique Manual Digest for 1936.

Stated briefly, our next Unique Manual Digest will contain all of the useful information to be found in any other book of life insurance reports except the opinion of the publisher regarding the quality of each company reported, and with no rating or recommendation. In other words, all of the facts regarding finances of every legal reserve life insurance company will be presented in full.

While our book will contain no recommendations or ratings, it will set forth a complete financial picture of each company. We do not believe in ratings or recommendations, but neither do we believe in withholding information or in presenting incomplete information regarding any company. Our policy is one of presenting the facts in detail, and not one of undertaking to classify or catalogue the companies reported on. We do not believe that information in a reference book should be affected by private prejudices or advertising patronage.

The Unique Manual Digest already has the best, the fairest and by long odds the most complete analysis of financial statements to be found anywhere and without any coloring of opinion or ratings. We are going to add the items that have seemed valuable but which heretofore have been omitted for want of space. The effect of this will be to provide a book containing all of the features that have been found useful in the past, plus considerable additional information which life insurance executives have told us should be embodied in order to make the Unique Manual Digest outstandingly complete. The policy, information, rates, etc., of course will be the same as now.

The most notable addition that will be made will be a comparative progress table for five years and then each five years back to 1910 giving assets, net reserves, surplus, insurance written, insurance in force. This table will spread all across the page and will be easy to read either up or down. Investments will be further analyzed to show public utility bonds. There will be other additional information but there will be no reduction in the amount of information that has been shown in the past.

Ours is the largest independent insurance publishing organization in the world. We have been continuously in business since 1897. The quality of the material we produce is well known and has earned us a reputation of which we are proud. We are convinced that the Unique Manual Digest that we will publish next year has become a necessity, and that there is a real demand for a publication such as we are planning.

Our purpose in writing you now is to familiarize you with the scope of our new Unique Manual Digest. We believe that with it any life insurance man will be able to secure every desired fact, and yet the whole work will be compiled, as all of our statistical books are, wholly uninfluenced by patronage, pressure or prejudice.

THE NATIONAL UNDERWRITER COMPANY

L.H.M:A.K.

Colorful Session Marks First Day

U. S. Chamber President Sibley
Lauds Service of Life
Insurance

GREETINGS PRESENTED

Delegates From Other Organizations
Present—Bestor, Smith, Coburn,
and Wills Speak

The first session in a large meeting like the American Life Convention is colorful and particularly interesting. It is usually the best attended of all the sessions unless there is some outstanding figure in one of the subsequent periods.

The background at the speakers' rostrum was colorful with crimson and gold flanked on both sides by the United States and Canadian flags and with a mammoth bouquet of red roses before the speakers desk, a gift from the hotel management.

The mechanics of amplifying speech have been greatly perfected in late years and instead of the proverbial loud speakers with horns located about the ceiling of an auditorium there is now a concealed microphone in the reading desk which carries the voice most satisfactorily.

Abels on Platform During Lindsley's Talk

President H. K. Lindsley was presiding with Col. C. B. Robbins, manager and general counsel, at his side. At the very beginning of the session W. M. Dewey, managing director of the Edgewater Beach hotel, a man of great personal charm and with a large following, extended greetings. President Lindsley called Henry Abels, vice-president of the Franklin Life and a former convention president, to the platform to preside while the presidential report was given.

Following President Lindsley's annual address Colonel Robbins presented the report of his office covering many convention details. He stated there was an increase of 11 in company membership since last year. The Central Life of Iowa is the only company that resigned although others were merged and two, the Continental Life of St. Louis and American Life of Denver, went into the hands of receivers.

The convention was highly honored this year by the presence of Harper Sibley of Rochester, N. Y., president of the United States Chamber of Commerce, who was accompanied to the auditorium and later escorted by Lee J. Dougherty, president Guaranty Life of Davenport, one of the directors of the United States Chamber and who served as chairman of the nominating committee which put Mr. Sibley in office. The speaker said that the United States Chamber is composed of 1000 small boards of trade or chambers of commerce and many trade associations. He sought to dispel the report that the United States Chamber is controlled by Wall street, Chicago or any particular group or interest. He said that the directors are representative and come from all sections representing diversified interests. These directors map out the policy of American business as a whole.

He said that life insurance occupies a field of very definite value and usefulness to the public. It has always rendered the highest service. It is one of the important mediums that helps the thrifty and brings security. Mr. Sibley put the question as to whether the great grist of federal legislation and bureaus are bringing real security. He feels that

Texas Speaker



ARTHUR COBURN, Dallas
Vice-President Southwestern Life

the future of life insurance depends on the continuity of the American business system which has accomplished so much in this country. Some critics say that this system has failed. This he stated is ridiculous. All the great cities of the country and the tremendous advances in all lines have been due to this very system. The United States, he declared, is manufacturing 50 percent of all the products of the world. The American business system he held has been most successful and is outstanding in its effectiveness. Mr. Sibley acknowledged that reforms and changes are needed, as the years go by it is necessary to deal with human problems and emotions. Although these changes are necessary he deplored any effort to undermine the fundamental principles of the business system. If these great federal outlays continue, he declared, it is only a question of time when the credit of the nation will be impaired.

Duty of Life Insurance Interests to Take Action

In his closing advice to his audience he stated that it is the duty of the life insurance interests to express themselves and take positive action. He thinks that civilization is impaired by some of the movements that have been set on foot. He enjoined his listeners not to allow the government to take over the savings of those who have sacrificed so much to provide for their dependents.

President J. A. Fulton of the Home Life of New York was the spokesman for the Association of Life Insurance Presidents and was escorted to the platform by Vice-president C. G. Taylor, Jr., of the Metropolitan Life, one of the presidential delegates, and a former president of the American Life Convention. Mr. Fulton said that life insurance started as a cooperative enterprise and has continued on that basis. There are problems that are common to all companies, he contended cooperation is necessary if they are to be satisfactorily solved. He feels that this cooperation should be intensified in these troubled days.

He does not believe that the public at large desires to have the thrifty taxed to provide relief for those who have never practiced thrift. Mr. Fulton stated life insurance management should not only be a trustee of policyholders funds but it should recognize that it is a trustee of all who are dependent on the company for a living, and the agents who are selling its insurance. He deplored attacks of one company on another, likening them to one who shoots his comrades from the rear.

(CONTINUED ON PAGE 12)

READ what others say of
COMMONWEALTH LIFE—

A recent Convention Report of the
Commonwealth Life Insurance Com-
pany shows:

- That it is in an excellent financial condition
- That the affairs of the Company are beyond question honestly and well managed
- That claims and all other obligations are paid promptly and in full
- That every care is taken to see that its policyholders have complete protection
- That the Company has grown steadily and consistently under its present management which has remained practically unchanged since its organization

Excerpts from a recent examiners'
report.

"Notwithstanding the depression of the past few years, the Company has been able to continue its operations without borrowing any money....., and we believe that the officers and directors of the Company deserve considerable credit for the manner in which the Company has been conducted."

If interested in a company offering "A
Square Deal to Agents and Policyholders
Alike" write our Home Office.



I. Smith Homans, Vice-President

Commonwealth Life Insurance Company

Louisville, Kentucky

Things to Look Out for In Buying Municipals

Some standards for the purchase of municipal bonds were given by Carl H. Chatters, executive director Municipal Finance Officers Association, in his talk before the Financial Section of the American Life Convention. Evidently the purchase of sound municipals involves real care and watchfulness. Mr. Chatters' observations on this subject were as follows:

"The old standards by which you purchased municipal bonds are far too simple for present day conditions. You relied on the name of the municipality, the ratio of its direct debt only to its assessed valuation, and a few facts relative to economic conditions of the community. New standards are needed, adapted to changed conditions and based on the lessons learned during the depression.

"In a recent address before the American Institute of Banking, D. T. Richardson, chairman of the municipal securities committee of the Investment Bankers' Association of America, made the following statement: 'Let me suggest that you determine in your own mind what qualifications your municipal bonds should possess and then disregard current market quotations and put these tests to your entire portfolio.'

Take a Suspicious Look at the Good Ones, Too

He also suggested the advisability of studying carefully not only the bonds in the portfolio which are selling at low prices, but also those of communities apparently in good condition which command large premiums. Many of the supposedly good bonds may be represented by communities which are facing financial difficulties. In other words, it should be the duty of the financial secretary to currently review the entire portfolio regardless of the price at which the bonds are quoted.

"Find out clearly what kind of a municipal unit issued the bonds. Make a careful differentiation between the obligations of regular municipal corporations, such as cities, villages, school districts, etc., and special districts created for drainage, irrigation, sewage, etc. The latter may be perfectly sound, but usually need special justification.

"The location of the municipal borrower has much to do with the payment of the securities. The experience, both in the United States and Canada, has shown that you ought to avoid, in general, suburban metropolitan areas. The reason for this, of course, is that extensive real estate speculation has taken place in such areas and there has been an undue expansion of municipal facilities. In the province of Ontario, Canada, 14 out of 18 suburban municipalities were in default. Of course, there are many rich suburban areas, such as Evanston, Winnetka, and Wilmette, Ill., Westchester county, N. Y., and the Grosse Pointe area surrounding Detroit, Mich.

Purpose of Bond Issue Is of High Importance

"One-industry towns have always been a Jonah for municipal investors. Many of these come to your mind without mention of them. They may be exceedingly good towns in boom times and turn out to be exceedingly 'flat' towns in times of depression.

"Too little consideration has been given to the purpose for which the bonds were issued. It is of first importance and has been greatly underestimated. Past defaults have been due, in many cases, to the use of public credit for private gain. At one time in our history the states were issuing railroad aid bonds, bank aid bonds, and canal

bonds. Many defaulted or were repudiated. In the last few years public credit has been used for private gain through the issuance of special assessment obligations. Bonds issued for the unnecessary expansion of public facilities, for purposes that cannot carry the sanction of the people as a whole, or for purposes which will not have the support of the populace in times of distress, all must be looked upon with care. The best bonds are those that are issued for necessary and useful public purposes. School bonds and water bonds seem to have a preference because these activities are necessary for the public welfare and in general have public support.

Should Be Sure of Kind of Document Purchased

"Wise investors read the recital on the face of the bonds which they buy. Many have thought they were purchasing one kind of a bond, whereas in reality they had an entirely different type of obligation. It ought to be clear just what kind of a municipality or governmental unit issued the bond. Do not place complete reliance on the title given to the bond. Some two or three years ago a representative of one of the large New York financial institutions stopped in my Detroit office on his way west. He said he was going to investigate some special assessment bonds of the city of Kansas City. On the way back he confessed that his bank did not own special assessment bonds of Kansas City as he had supposed, but rather owned certificates of beneficial interest in a bunch of special assessment district bills which the city had issued to contractors. Perhaps you know of other instances where failure to read a bond carefully may have brought about similar conditions.

Various Securities Behind Different Kinds of Bonds

"I will emphasize again the fact that you must know the kind of bond. If it is a special assessment obligation, is it guaranteed by the municipality as a whole, is it payable only from the actual levy made, or is it an obligation payable primarily from assessments but guaranteed by the municipality? If it is an obligation of the municipal corporation

(CONTINUED ON PAGE 17)

Cites Current Trend of Patronizing Brokers

Purchase of bonds through brokers, instead of dealers, is a rather new development and some of the machinery of trading was discussed by Burton Tilden of Winthrop, Mitchell & Co., Chicago, at the meeting of the Financial Section of the American Life Convention in Chicago this week.

Mr. Tilden said that formerly the majority of companies purchased their securities through committees, who wanted firm offerings, sometimes for several days. This naturally gave decided advantage to the dealers who owned blocks of securities, and practically eliminated the bond brokers, most of whose orders were subject to cancellation on short notice. Then came the period where new issues were rare and few dealers carried large inventories. Insurance companies with funds to invest found it necessary to change their buying procedure and make purchases in the open market, using brokers.

Describes the Modern Trading Department

The modern trading department in a broker's office has several divisions, with one or more traders in each division. These divisions in the average office are government, municipal bonds, listed bonds, unlisted bonds and unlisted stocks. In some firms there is a further division into public utilities, railroads and industrials. Mr. Tilden described the elaborate, and incidentally expensive, system of private wires, connecting a broker not only with cities, but with direct wires to banks, security dealers and other brokers. With the right kind of a set up it is possible to get markets, and their size, from the exchange in a few seconds. The method of handling orders was also described by Mr. Tilden.

There are approximately 1,500 bond issues listed on the New York stock exchange and about 600 on the New York curb. Brokers on the exchanges must call out their orders and seek their prospective buyers. Unlisted issues offer more difficulties in finding buyers or sellers. There are upward of 10,000 corporation bonds not listed on any exchange.

Paul Bestor, assistant secretary Prudential, who spoke Wednesday, is a Yale graduate. He was formerly president of the federal land bank of St. Louis. He was on the federal farm land bank board. He was active in this special work. He joined the Prudential in July, 1933.

Wade New Head of Financial Section

J. E. McPherson Is Secretary—
Feature Utility, Municipal Bond
and Housing Questions

OBSOLESCENCE STRESSED

Investors Must Watch the Modern
Housing Development Closely, Pur-
due University Man Says

OFFICERS ELECTED

Chairman—Harry V. Wade, Indianapolis, assistant to the president, United Mutual Life.

Secretary—J. E. McPherson, Kansas City, Mo., treasurer, Business Men's Assurance.

The Financial Section occupied all day Tuesday with E. B. Raub, Jr. of Lafayette, general counsel Lafayette Life, presiding. Harry V. Wade of the United Mutual Life of Indianapolis was secretary.

It is interesting that the chairmen of two of the prominent sections are sons of old timers in the American Life Convention. James C. Jones, Jr., of St. Louis, who was chairman of the Legal Section, is the son of the celebrated J. C. Jones, Sr., of that city, who is regarded as the founder of the section and was its first chairman. Mr. Raub is the brilliant son of the very affable and able E. B. Raub, Sr., president of the Indianapolis Life, who has taken an active part in both the Legal and Financial Sections.

Two From Missouri; Two From Indiana

Another point of interest in these two sections rests in the fact that the two officers of the Legal Section reside in Missouri, while the two officers of the Financial Section are citizens of Indiana.

The program of the Financial Section was of an unusually high order and reflected great credit on Mr. Raub who prepared it entirely. The members were highly pleased with the character of the material that came forth.

President H. K. Lindsley of the American Life Convention was introduced, brought greetings and then the work of the section started in earnest. The speakers were all young men who were specialists in their various lines and who impressed the people as being masters.

William Duff of Duff & Phelps of Chicago, a public utility analyst, spoke on utilities as a medium for life insurance investment. Mr. Raub had called attention to the fact that during the first seven months of this year the life companies invested twice as much money as they did during the same period last year and six times as much as in the same period in 1932. Of the investments so far this year 48.5 percent were in government securities, 16.3 percent in state and other public body bonds, 4.3 percent in railroad bonds, 1.5 percent in farm mortgages and 5.6 percent in city.

Mr. Duff took the position that the record of public utility mortgage bonds was very good, there having been but few defaults. He said much of the selling of life insurance by agents had been based on the investment policy of their companies. Financial officers felt therefore that it was necessary to have some window dressing consisting of very high character bonds with low earning power. He advised a sufficient

Financial Section Heads



HARRY V. WADE, United Mutual Life
New Chairman



EDWARD B. RAUB, JR., Lafayette Life
Retiring President

volume of such bonds but said there should be plenty of the medium grade bonds of a higher yield. He said there is risk in any investment but this is minimized by careful selection.

Some companies, he said, bought medium grade bonds when they were selling between 70 and 80 and they now are near par. He advised against trading securities unless there is an opportunity for real improvement. Mr. Duff stated that he did not believe the saturation point had been reached as to high grade bonds. There is plenty of money to be invested that is idle.

Too Many California Bonds Were Dumped

He thinks there have been too many California bonds put on the market largely due to the fact that a year ago it appeared as if the state might elect Upton Sinclair, a socialist as governor. Mr. Duff said the country would be interested to see some substantial eastern issues put on the market. The speaker said he did not see much hope for a higher interest yield on high grade bonds. In investing in utilities he said the purchaser should distinguish between the source of income in valuing the worth of the bond. He said at a time when there is great pressure on financial officers to invest money they are apt to find in their portfolios securities of a rather unsatisfactory nature whereas if there were more time there would be greater selectivity shown. He predicts that some of the utility companies will call in their preferred stock and have it re-issued at a lower interest rate.

Mr. Duff said a bond running for some 8 to 10 years should have just as good security as an obligation running for 20 years or more. He took occasion to comment on the appointment of W. E. Gilman, of the investment department of the Equitable Life of New York, who will be the top man in the staff of the public utility department of SEC. He said the government is fortunate in being able to secure a man of his caliber. The SEC act, he said, will be 75 percent good in that it will safeguard public utility investments. If the investment was sound in the first place and represents honest value no one need fear the SEC. However, if the security depends on equity returns trouble may be confronted.

The SEC act, he said, is not as good as its proponents claim nor as bad as its opponents say it is. He thinks that this regulation bill passed by Congress will minimize municipal earnings.

Unethical Promoters Caused the Damage

Mr. Duff declared that life companies should continue to invest a material part of their money in sound utility securities. The great harm, he said, has come from unethical promoters in the utility field.

C. H. Chatters of Chicago, executive director Municipal Finance Officers Association, took up the subject of municipal bonds, saying that insurance companies of all kinds, fire, life, casualty and fraternal have invested in municipal bonds \$1,500,000,000. In Canada the investment is \$375,000,000. He said investors should be more interested in long term factors than in current market conditions.

Municipal bond defaults, he said, have not been as great as the public was led to believe. During the last six years there have been 2,100 such defaults. At the peak of the defaults they were 5 percent of the total outstanding obligations. Now there is only 1½ percent. Conditions in Florida, he said, are not much better than they have been. Ohio is more or less unsettled. St. Petersburg, Fla., and Asheville, N. C., are outstanding cities where defaults have been made. He has seen some evidence of racketeering in refunding movements especially in Florida, Oklahoma, Texas and California.

Mr. Chatters said the federal municipal bankruptcy act has not been employed as widely as was predicted nor

has it been as harmful as was first supposed it might be. The sudden growth of municipal debt, he asserted, has been the cause of most of the bond defaults. Bonds, he said, are paid out of income and not capital. He emphasized the fact that a municipal debt is the first mortgage on property. Mr. Duff said in municipal defaults the state should step in and insist that some plan be developed to meet the obligations in a manner agreeable to creditors. He announced that his institution is getting up a volume on the history of defaults for the last 100 years. He emphasized the need for getting more correct information and comprehensive data as to municipal bonds. There is need for a uniform blank to obtain such information. He thinks there might be in the Financial Section some plan developed as has been by the National Fraternal Congress to get information on municipal bonds.

Burton Tilden of Winthrop, Mitchell & Co., Chicago, investment people, described the mechanics of a bond trading desk. He said he finds life companies are now deciding what they want to buy and then get a bond broker to go in the open market and get the security. He said insurance companies should not insist on purchasing only large lots of securities but they should be satisfied in buying comparatively

small lots at times and in so doing they can better their interest yield.

Frank Watson of Lafayette, Ind., director of the housing research project at Purdue University, proved to be one of the most interesting speakers, dealing as he did with the effect of modern housing development on life company investments. He was formerly with the FHA in Washington. Mr. Watson said life companies might as well realize there will be cycles of depression and prosperity. The management should study the effect of depression on various kinds of investments.

He referred to the factor of obsolescence in buildings. This cannot be avoided. High obsolescence is more especially noted in office buildings and apartments. New buildings of this type put some of the old ones practically out of business.

He said there has been much overbuilding of so-called monumental structures. He thinks there will not be many new skyscrapers erected nor very many big apartment buildings within the next few years. He said any excess of building activities furnishes its own automatic check. Heretofore, owners of buildings have depended on the rising site values to overcome depreciation. He thinks this cannot be relied on in the future.

Mr. Watson said amortization in home mortgages is now an accepted plan and

it will take care of depreciation. In order to absorb obsolescence it is necessary to add its rate to the depreciation rate and thus get a proper amortization rate. He said it is impossible to calculate a correct amortization rate. There has not been the obsolescence factor in housing as will be noted in the future. He declared the insured mortgage system is sound. Terrific obsolescence, he said, should be thrown on the home owner and not the lender of money.

Houses for \$2,000 Would Shake Market

Mr. Watson aroused special interest when he asked what would be the effect if suddenly a plan were found to build houses now costing \$8,000 for \$2,000. He said that owing to the increases of our social philosophy a debt is attached to property and not to the person. This has spread to the mortgage field. In other words, the personal obligation is wiped out as the property is taken over. If new methods of construction and building are found companies will discover that they have much property on hand that they cannot dispose of. Site values may have some effect. Mr. Watson said that the event of such a contingency would shake the market but he opined it would not collapse. He thinks that the arrival of such a build-

(CONTINUED ON PAGE 16)

Selling What the Buyers Want

FEDERAL LIFE of Chicago, with its new and complete group line, offers agents and brokers the things the insurance buying public wants.

GROUP INSURANCE sales have shown tremendous increases this year. Employers, anticipating the effect of legislative demands for social security plans, are hastening to develop their own plans for cooperation between employer and employee.

FEDERAL LIFE'S four part group plan offers a perfected line, as complete as any, more complete than most. Furthermore, the agent or broker may share with the policyholder in the savings resulting from favorable loss experience.

HOSPITAL & MEDICAL:

A policy which enables you to cash in on the great public interest aroused recently in hospital-sickness insurance.

DISABILITY:

An excellent weekly indemnity form.

ACCIDENTAL DEATH & DISMEMBERMENT:

Covers all forms of accidental death, dismemberment or loss of sight.

LIFE:

A standard low cost contract with conversion privilege and optional benefit payment plan.

THIS modern group line supplements **FEDERAL LIFE'S** regular line of life, accident and health policies—backed by 35 years of successful operation.

SINCE 1929 **FEDERAL LIFE** has increased assets, surplus and liquidity throughout the depression years. Recently published statistics show **FEDERAL'S** safety fund of 10.1% over all liabilities is higher than that of 21 of the largest companies in America.

"It Is Easy To Grow With a Growing Company"

FEDERAL LIFE INSURANCE COMPANY

ISAAC MILLER HAMILTON, President

166-168 N. Michigan Ave.

Chicago, Ill.

Colorful Session Marks First Day

(CONTINUED FROM PAGE 9)

President Lindsley called on Vice-president Ray Murphy of the Equitable Life of New York, one of the presidential committee, to stand, as he did Manager Vincent P. Whitsitt and Actuary Bruce Shepherd of the presidential delegation. This feature of various organizations bringing greetings is a pleasing one. V. R. Smith, general manager of the Confederation Life of Toronto, spoke for the Canadian Life Insurance Officers Association, saying that it is the oldest organization of life insurance executives. It comprises almost all of the companies operating in the dominion. He stated that Canada is making progress out of the depression. There is a better feeling abroad. The people believe in having obligations paid.

Roger B. Hull of New York City, managing director of the National Life Underwriters Association, represented that body, commending 81 American Life Convention companies for contributing liberally to the support of National Life Insurance Week this year. Major Hull called attention to a program of public relations that he brought

forward at the annual meeting of his organization in Des Moines and stated that it should be prosecuted. He feels that the companies should support it and make it possible for the whole life insurance story to be told.

Gilroy Brings Greetings of Fraternal Congress

Peter F. Gilroy, head of the Woodmen of the World of Denver, who is president of the National Fraternal Congress, was present to represent his organization. This association for the first time was invited to bring greetings last year. Mr. Gilroy said that while the commercial companies and the fraternal differed in some respects, one pursuing the agency and the other the lodge system, yet both are products of private enterprise, they having a common cause against the further encroachment of government in insurance. He called attention to the fact that many so-called benevolent associations are taking advantage of the people throughout the country. He said that all honorable insurance institutions should combine to rid the land of these racket-

eers. The promoters, he contended, are interested solely for their own profit. He dwelt on taxation saying that that was becoming a very serious question for insurance.

United States Senator Morris Sheppard of Texas was introduced, President Harry L. Seay of the Southland Life of Dallas being assigned to escort him to the platform. Senator Sheppard is a director of the Woodmen of the World of Omaha which was holding a meeting at the hotel. President Lindsley asked the entire audience to arise in tribute to the presence of Mrs. T. W. Blackburne, wife of the late T. W. Blackburne, one of the founders of the American Life Convention and its secretary and manager for so many years.

Coburn Takes Critical Attitude on Selling Trends

Company management was taken to task for the present selling conditions in the insurance field by Arthur Coburn, vice-president of the Southwestern Life of Dallas, in discussing the "Sales Side of Life Insurance." Mr. Coburn pointed to great waste in appointing 200,000 life agents of whom only 15 percent were making a decent living. With better field men the business would be more thoroughly sold which in turn would reduce lapsation. The fact that the life of the average policy is only seven years is an indictment of the selling process. He criticized the companies for their willingness to hire disreputable agents fired by other companies.

There were three set speakers for the afternoon. Announcement was made at the beginning of the session by Col. Robbins that there would be an executive session Thursday afternoon. The subject of company ratings is in the minds of many and there was considerable confusion as to whether the convention should take any further official action.

Uncertainties Mark Future of Farm Investments

Uncertainties involve the future value of farm mortgages as investments for life insurance companies, said Paul Bestor, assistant secretary of the Prudential, in discussing "The Financing of Agriculture."

The biggest factor is the surplus crop situation which is a result of the change of status of this country from a debtor to a creditor nation, with resultant inability to dispose of the agricultural surplus. Although the national administration's crop control plans have substantially increased the agricultural income, this artificial prop may be withdrawn possibly by judicial decision or by change of political conditions. It is a titanic struggle for agriculture to obtain and maintain for itself a place in the national economic picture comparable with that of tariff protected industries. Programs of farm lending must consider these factors and although in the long run the permanency of agriculture is assured, for the moment it is on a subsidized basis both as to credit and prices.

Canadian Speaker Treated Interest Rate

The substantial decline in interest rates as it affects life companies was reviewed by V. R. Smith, general manager and actuary of the Confederation Life of Toronto. The historical background of interest yield shows that it is dangerous to take too short a view of interest trends. Interest rates will again be higher although the increase will probably be gradual. The reduction in interest has gone hand in hand with the shrinkage in volume of new opportunities for investment. Life companies should follow the principle of investing in long term bonds when the yield is high and short term bonds when the yields are low, said Mr. Smith.

Life companies should also be prepared to meet a recurrence in the future of the abnormal demand for cash and loan values. In considering the rate of interest yield in determining the ba-

Points Out Some Trends Seen in Life Insurance



W. R. WILLS, Nashville
President National Life & Accident

sis of policy reserves, Mr. Smith said that the current issue of the policy contract should be self-supporting on the basis of interest rates which will be realized on funds arising from their own premiums.

Trends in Insurance Viewed by President Wills

In discussing the trends of life insurance, President W. R. Wills of the National Life & Accident, touched on many factors. The public's growing confidence in life insurance and a demand for recognition of its responsibilities by life insurance management were cited. Stock company share holders should consider their investment of an ultra-conservative nature and not as a get rich quick proposition. He made a strong plea for better agency selection on the part of the companies instead of leaving it to state officials. The twister was severely condemned. Slow but gradual increase in interest earnings was predicted by Mr. Wills. He foresaw a better mortality experience to offset the excess interest earnings reduction.

The southern contingent was particularly interested in Mr. Wills, all occupying seats in the front. President Lindsley appointed a bodyguard to take him to the platform, selecting another company president, Julian Price of the Jefferson Standard Life, who stated on delivering Mr. Wills before the speakers' desk that he was glad "to escort at least one Democrat to the platform."

Guests Given a Luncheon

On Wednesday noon a luncheon was tendered those who addressed the convention and those representing various organizations who brought greetings. Ex-presidents of the A. L. C., present officers and members of the executive committee were present.

Father and Son Thomas

L. St. J. Thomas, actuary of the Shenandoah Life, is one of the most faithful attendants at all sessions. He starts with the Legal Section and is present at all sessions promptly, leaving only at adjournment. This year he was accompanied by his son, Henry, head of the group department. He is a graduate of the University of Virginia, and started to work for the Shenandoah Life where he has worked up a fine business. Its main source is with federal employees where various groups receive special attention. The company has some 6,000 such employees on its books.

A Great Mid-Western Institution

Dedicated to unsurpassed service in everything pertaining to the business of Life Insurance.

Offers:

- Policies for men, women and children.
- Modern plans, options and provisions.
- Traditionally prompt service on claims.
- Financial strength and stability.
- Helpful, understanding service to the members of its Agency Organization.

H. K. Lindsley, President
J. H. Stewart, Jr., Vice-President-Treasurer
F. B. Jacobshagen, Secretary

The Farmers & Bankers LIFE INSURANCE COMPANY
Wichita, Kansas

"Policies that Protect"

Radio Station KFBI - - - 1050 Kilocycles

Uncertainties Mark Future of the Farm Mortgage Field

PAUL BESTOR GIVES VIEWS

Marked Increase in Purchasing Power Due to Artificial Prop—Federal Financing Discussed

Farm mortgages as an investment for a life insurance company were considered by Paul Bestor, assistant secretary of the Prudential, before the American Life Convention in Chicago. The national administration's system of crop control combined with natural forces has materially increased the purchasing power of agriculture to more than \$6,000,000,000 in 1934 and it is estimated that there will be an additional increase of \$1,000,000,000 in 1935. This has resulted in placing a bottom under land values, whether temporary or permanent, no one knows. The future desirability of farm mortgages presents a pressing question without an immediate answer, said Mr. Bestor. The changed status of the United States from a debtor to a creditor nation definitely places a limit on the export of farm commodities as the opportunity of exchange for foreign debt payments has been eliminated. Exchange difficulties also have arisen and foreign countries which under normal conditions import agricultural supplies, have found it necessary to encourage their own agriculture in the face of impossible exchange conditions.

Prices Not Considered Sound

The American farmer is in an advantageous position as regards prices at present although an artificial prop supports the situation, said Mr. Bestor. This prop may be withdrawn possibly by judicial decision or by changed political condition. Prices therefore cannot be considered sound. There is a titanic struggle of agriculture to maintain for itself a place in the national economic program comparable with that of tariff protected industry. If it cannot maintain that position, agricultural prices will fall perhaps to former depression levels.

In any program of farm lending all these factors must be borne in mind. Although there is no doubt about the permanency of American agriculture for a long pull, one can not afford to disregard the facts that agriculture for the moment is on a subsidized basis, both as to credit and practice, said Mr. Bestor.

Farm Loans Drop

Mr. Bestor traced the trend of farm loans by insurance companies, the peak of which was in 1925 when nearly 18 percent of all their assets were so invested while by the close of 1934 the percentage had fallen off to only 5.4. Mr. Bestor reviewed the federal lending activities. Although the present basis of this competition has been due largely to the pressure of the emergency situation which confronted agriculture, it is difficult for the government to provide for such extensive financing without placing the terms of general farm lending below a level possible for private investors to meet. Some of the federal subsidies were granted only for the emergency, but it is much easier to grant a subsidy than it is to take it away. If the present subsidies be continued there is a possibility of private lenders being compelled to seek other investments.

Banks Can Compete

The new banking act has liberalized the former limitations regarding investments in real estate mortgages and the gates are now thrown open to the commercial banks to invest in farm mortgages and with the payment of interest on savings deposits almost at the vanishing point, it is logical to suppose that these banks will take advantage of their opportunities. It should be possible for them to quote terms scarcely possible

for an insurance company. They may be able to compete successfully with government lending and they have much better opportunity to do so than the insurance companies.

Another factor which tends to discourage farm mortgage investment is the type of moratoria, national and state, which now prevails, said Mr. Bestor. The latest legislative measures place a premium on inefficiency or dishonesty. This is destructive of morale and until a better method of handling delinquent loans is found which gives equal recognition to the rights of both borrowers and lenders, the cost of servicing loans will be a strong deterrent against the investment of private funds in this type of security.

Life Presidents Delegation

The official delegation from the Association of Life Insurance Presidents was headless for a time as President F. A. Howland, National Life of Vermont, chairman of the group, could not attend. Neither could President W. H. Cox of the Union Central. President James A. Fulton of the Home Life therefore officiated and acted as spokesman. His associates were C. G. Taylor, Jr., vice-president Metropolitan Life and Ray Murphy, vice-president Equitable Life of New York. Buttrressing the trio

were Manager V. P. Whitsett and Actuary Bruce Shepherd of the executive office. Mr. Taylor, by the way, is a former president of the A. L. C.

Financial Section Nominators

The nominating committee of the Financial Section consisted of R. T. Byers, American Central, chairman; G. C. Holmberg, Northwestern National, and A. O. Merriam, Franklin Life.

Harry V. Wade, who served as secretary of the Financial Section, said he had been a most efficient secretary inasmuch as he had received no letters and written none. He is the new chairman of the section.

Visiting financial officers were interested in the display of the American Bond Quotation Service of Chicago, publishers of financial services covering the field of bond investments. In charge were J. A. Weightman, eastern manager, New York City, and Miss Alda Halpin, Chicago office.

The financial service houses had exhibits in the display room provided for such presentation.

President C. E. Becker, Secretary William Hiller and General Counsel Sylvan Lange of the Great American Life of San Antonio represented that company.

Treats the Subject of Financing of Agriculture



PAUL BESTOR, Newark Assistant Secretary Prudential

128,936 Applications 128,936 Cash Collections

Secured by our field force who represented two large insurance organizations during the past 22 months. Included in the above are the following items:

New Business App's.....5,905 Reinstatements5,121
Add. Insurance App's.....2,490 Juvenile App's5,091

The "Service" Company that has persistently maintained in the field during the past seven years an experienced group of financially responsible agents capable of securing a large percentage of new business and reinstatements in conjunction with rewritings and exchanges.

"CASH WITH EVERY APPLICATION"

REWRITING NEW BUSINESS REINSTATEMENTS

DEBARRY & ASSOCIATES, INC.
LIFE INSURANCE

ADJUSTMENTS—SALES—CONSERVATION

222 West Adams Street

CHICAGO

S. A. MURRAY, VICE-PRESIDENT

C. D. DEBARRY, PRESIDENT

Sebree Takes Helm of Legal Section

Large Attendance of Junior Counsel Marks Gathering—Wright Is Secretary

ROBBINS GIVES REPORT

Chairman Jones Pays Tribute to Supreme Court—Baseball Broadcast Provided for

NEW OFFICERS ELECTED

Chairman—Sam B. Sebree, Kansas City, Missouri, associate counsel Midland Life.

Secretary—Francis J. Wright, Columbus, Ohio, vice-president and counsel Midland Mutual Life.

At the closing session of the Legal Section Tuesday afternoon James C. Jones, Jr., of St. Louis introduced his successor, Sam B. Sebree of Kansas City, who was elected chairman. Francis J. Wright of Columbus, O., vice-president and general counsel of the Midland Mutual Life, took his seat as secretary.

There was a large attendance at the Legal Section meeting this year, it being especially noted that many younger men comprising the junior counsel were on hand. Some of the attorneys whose companies have retired from business still attend the legal section although they have no direct company connection.

Country Emerging From Trials and Tribulations

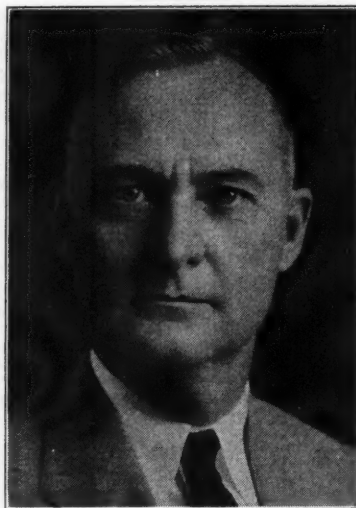
Chairman Jones in his preliminary remarks said that the country is evidently emerging from many of its trials and tribulations, adding that the United States is fortunate in having a Supreme Court to pass on the constitutionality of the modern special measures that have been passed by congress.

President H. K. Lindsley of the American Life Convention was introduced at once and brought the greetings of that body. Col. C. B. Robbins, manager and general counsel of the American Life Convention, gave a review of the leading decisions of the year in the higher courts. He said that the legal departments are more valuable now than ever. He estimates that there are about 25 percent more cases going to the higher courts due largely to the increased number of claims on account of the depression, complications of foreclosures, defaults, emergency tax legislation, moratoria, etc. Col. Robbins predicted that the country is not yet through with such legislation. During the year the legal bulletin of the A. L. C. has digested 1313 cases as compared with 847 in 1934. He said that this increase of about 300 a year has been kept up during the period of the depression. There are a number of premium tax cases involving not only laws but rulings and disputes over what can be deducted.

Prepares Data on Life Aviation Clauses

Colonel Robbins announced that the A. L. C. has circularized all the companies both in the United States and Canada getting copies of their aviation clauses. He said that these will all be classified and within 60 days a chart will be made giving important information on this subject. There has been more litigation over disability claims due to people pressing them on account of the depression. The courts, he said, have upheld annuity contracts and this

Legal Section Leaders



SAM B. SEBREE, Midland Life
New Chairman



JAMES C. JONES, JR., Central States Life
Retiring Chairman

is important as so much of this business is written.

Eugene M. Thore, assistant counsel Acacia Mutual, gave a paper on the "Right to offset mortgage indebtedness against death or disability claims." He took the position that this right is in doubt because there is no specific legislation. He discussed the subject from the standpoint of a policy made payable to the estate and one made payable to the wife as beneficiary. The question of establishing mutual credit he said would be very difficult. This must be of the same kind and quality. The whole question would depend on exemption statutes. The avenue to the approach of such an offset in some states is not closed. The tendency now is to extend the exemption statutes. There may be some moral ground for offset although there may be no legal basis. In the discussion that followed some of the attorneys stated that when they found cases of this kind they were usually successful in taking up the subject with the beneficiary and pointing out the moral obligation to pay the debt and have the claim deducted from the policy proceeds. Attorney Allen May of the Great American Life said that in many companies the claim department is not in touch with the investment department and therefore when a claim arises the department may not know of any mortgage indebtedness. Mr. Thore in answer to a question as to whether mortgage indebtedness might be deducted from the cash value stated that the cash value is not a debt and therefore no deduction could be made.

Advance Program to Facilitate Baseball Broadcast

Considerable levity was aroused when the chairman advanced one of the papers in the afternoon to the morning session in order to give the attorneys sufficient time to receive the world series baseball returns from Detroit. Therefore, J. A. Ewing of Montreal, legal adviser of the Sun Life, appeared in the morning discussing the question as to who is entitled under the Canadian laws to the proceeds of a life policy when the beneficiary murders the insured.

The program this year was not burdened as it has been in some times past with too many papers. This enabled the sessions to adjourn much earlier than usual.

The luncheon was tendered the Legal Section and its friends by the American Life Convention. The speaker at noon was Fred E. Inbau of Chicago of the Scientific Crime Detection Laboratory of Northwestern University, who showed a number of lantern slides illus-

trating the modern methods of detection of crime with particular emphasis on detection of deceptions. He said that there is much quackery in this work, and much imposition of so-called expert testimony in court. He thinks that courts should be very careful in permitting such testimony saying that both sides agreed to have this introduced. Associate Manager R. H. Kastner of the American Life Convention introduced Mr. Inbau.

During the meal the world series base ball returns were posted and while the lights were off and the lecture was in progress announcement was made from time to time as to what was going on. At the head table was Chairman J. C. Jones, Jr., of the Legal Section; S. B. Sebree, secretary of the section, Allan E. BroSmith of the Travelers and F. W. McAllister of the Kansas City Life, both former chairmen.

When the section convened in the afternoon J. V. Oxtoby of Detroit announced that he and Claris Adams, executive vice-president of the American Life of Detroit, were present and ready to receive congratulations on the Tigers winning the championship. J. C. Jones, Sr., of St. Louis, former president of the St. Louis national league team, said that it should be recorded that it took the Cardinals to twist the Tigers' tail.

Burcham Reviews Question of Renewal Commissions

The only paper in the afternoon was read by J. R. Burcham of St. Louis, attorney of the General American Life, who spoke on the law applicable to agency renewal commissions. He said that this question was important owing to the failure of some companies and the reinsurance of others. The general tendency he said has been to protect the policyholders and stockholders rather than the agents. He reached the conclusion that when a company is deprived of its right to receive premiums and is thus disqualified the agents also are stripped of this power. When a company is still able to receive premiums then the agency contract is still in force. He made the observation that the payment of renewals is for continuous service of agents and also for keeping policies on the books.

Mr. Sebree is a son of one of the founders and general counsel of the Midland Life, Frank P. Sebree, who with Daniel Boone, the father of President Daniel Boone, organized the Midland in 1909. Sam Sebree is a member of the Kansas City legal firm of Sebree, Sebree & Shook, general counsel for the Midland.

Mr. Wright, the new secretary, is a member of the legal firm of Arnold,

AMONG THE LAWYERS

The nominating committee for the Legal Section consisted of three eminent former chairmen: Frank W. McAllister of Kansas City Life; Allan E. BroSmith of Travelers, and Francis V. Keeling of West Coast Life.

James C. Jones, Sr., of St. Louis is regarded as the father of the Legal Section and was its first president. He was present this year, taking great pride in the fact that his son, J. C. Jones, Jr., was chairman. Both are eminent attorneys and looked upon as insurance authorities.

L. A. Stebbins of Chicago is another old-timer, as is F. W. McAllister of the Kansas City Life. Others of the older group attending this year were W. Calvin Wells, Lamar Life, Jackson, Minn.; J. B. Hanten, Midland National Life of Sioux Falls, S. D.; C. P. Peterson, Bankers Life of Nebraska, and F. V. Keeling of West Coast Life. All these served as president except Mr. Hanten.

The public address system used during the Legal Section meetings assisted those in the back of the east lounge where the meetings were held, to hear every word, without blasting. It was impossible to detect that the amplifiers were being used, there not even being the usual microphone in evidence.

A number of Legal Section members attended the monthly meeting Tuesday night of the Chicago Life Insurance Lawyers Club at the invitation of L. A. Stebbins, its perennial chairman. Mr. Stebbins explained the club had neither capital, reserves nor surplus and therefore, he must ask his guests to "pay the freight" on their dinner.

Wright, Purpus & Harlor. He has been connected with the Midland Mutual's legal department for 12 years and has been vice-president for two years. Retiring Chairman Jones introduced the new officers.

On Tuesday Robert A. Adams, general counsel American Central Life, gave his paper on "Liability when death occurs pending approval of reinstatement." J. V. Conwell, Penn Mutual, in the discussion said that the conditions of reinstatement might be more clearly set forth in the policy. A suicide clause might well be inserted he thought in the reinstatement application. He considered these applications as a rule rather slipshod and suggested a committee be appointed to consider a uniform reinstatement clause. Chairman Jones agreed that this might be a good procedure.

J. A. Ewing, Sun Life of Canada, noted that the matter of uniformity in reinstatement is being regulated by statute in all but one of the Canadian provinces under the life insurance act. W. Calvin Wells, Lamar Life, said that in depression times many people have been seeking reinstatement that the companies certainly would not insure originally. Allen May, General American Life, said that it appears necessary to educate the courts or legislators in the merits of policy reinstatement. Others commenting were E. M. Thore, Acacia Mutual; Berkeley Cox, Aetna Life; Allan E. Bro Smith, Travelers.

S. T. Gilmore, general counsel Business Men's Assurance, presented his paper on "The burden of proof as to intent to deceive in misrepresentation cases." At the afternoon session George E. Seay of the Southland Life of Dallas read a paper on "The doctrine of res judicata in actions for disability benefits." Vice-president and General Counsel E. A. Roberts of the Minnesota Mutual Life had as his subject "Effect of a life policy release and discharge on subsequent double indemnity claims."

The last paper was given by R. H. Kastner, associate counsel American Life Convention, who presents annually a review of the main legislation of the year and departmental rulings and action.

Investment Spotlight Now on City and Suburban Loans

R. GRAEME SMITH GIVES TALK

Government's Extensive Operation in
Farm Field Forces Companies to
Other Mortgage Fields

Because of the federal government's extensive operations in the farm loan field and its tendency to perfect permanent machinery for absorbing a still greater share of these loans, the spotlight from a life insurance standpoint is on urban and suburban mortgage loans, as the government's activities in these fields give promise of restriction, said R. Graeme Smith, assistant secretary of the Connecticut General Life, in discussing "Urban and Suburban Mortgages" before the financial section of the American Life Convention in Chicago.

Mr. Smith traced the pessimistic attitude towards city mortgage holdings which developed in 1932-1934. The resolves made then to abandon this field have now been changed. When it was decided to go back into the market, then the mortgage loan department was instructed by directors and senior officers to make only the very best loans under ideal conditions with lower commissions, etc., the only concession being a lowered rate of interest. However, the scarcity of applications for this type of loans and the companies' mounting cash balances, forced compromises from the ideal. There has been a drifting away from the solemn maxims laid down in the depression years.

Correspondents Create Problem

Difficulty has been experienced in getting the cooperation of mortgage loan correspondents. For the first time the correspondent is not seeking the companies, but they are seeking the correspondent. Because he can retail his loans to private individuals, to a local institution or to the government agencies, there is no reason why he should keep the cream for the insurance companies when the other fellow is willing to take the milk with the cream. This matter of representation is a crucial one, said Mr. Smith. He suggested that a committee be appointed by member companies to work out methods for gaining the allegiance and support of mortgage loan correspondents. Like the troops in the field, they are vitally important, especially with increasing activity of other lenders.

Another principle laid down by insurance men during the depression was that loans on new property would be restricted in order to stabilize values and create an unsustained demand for older properties. Following the lead of the government agencies, life companies are now openly and avowedly competing with each other for these loans. Fortunately, said Mr. Smith, there has been no building boom, largely because construction cannot be stimulated by easy credit alone.

Administrative Cost Increases

Life companies also resolved to reduce administrative cost of mortgage portfolios but in a lending market with falling interest rates the relative size of administrative costs increases rapidly. On a 6 percent loan administrative costs may run 1/12th of the return while on a 4 percent rate the administrative cost would be 1/4th.

The possibilities of a central bureau for appraising and negotiating loans were explored by Mr. Smith.

Mr. Smith reviewed the conclusions of a 90-day study in Washington on the subject of government competition for mortgage loans. It is difficult to determine whether or not the government intends to compete permanently with private lending, as various governmental units are separate and distinct, not only by law but by personalities, and there

Speaks on Mortgages at Financial Section Meet



R. GRAEME SMITH, Hartford
Assistant Secretary Connecticut General

is no focal point at which they meet where policies are adopted. It is difficult to tell whether or not there is a proper place for governmental activity to complement private lending until there is a coordinated scheme between the governmental agencies. Opinion prevails in Washington that the revival of construction can be stimulated by easy credit or low interest rate. This dovetails in with the federal treasury's policy to lower the debt burden by reduced interest rates, even though the amount of bonded indebtedness increases. These factors and the growing lobbying power of borrowers from the government, point to a continuance of administrative policy toward artificially lowering mortgage rates. However, no artificial control of interest can over the long run win out against the great swings of supply and demand of money, but for the time being artificial control can hold sway and Mr. Smith thinks it will.

President Got Mixed Up in Introducing Linton

President Lindsley got his wires crossed in introducing President M. A. Linton, the first speaker Thursday morning who was to speak on the federal old age security program. Mr. Lindsley had his eye fixed on Friday morning's program when the first speaker was assigned "The Chief Executive's Viewpoint" on building agency morale. Therefore he got Mr. Linton mixed up with that subject. Laughter from the audience soon revealed the error so President Lindsley beat a retreat and used the error for some facetious remarks. Then the president in his introduction stated the speaker was a trustee of Harvard. Mr. Linton corrected that as he fills such a position with Haverford College, the well known Quaker institution, he being a prominent member of that faith not only in his home church at Moorestown, N. J., but in its general councils.

Annual Banquet Wednesday

Heretofore the annual banquet has been held Thursday evening of Convention Week. Owing to the conference on group insurance the dinner was set for Wednesday, there being over 400 present. Two accordion girls sang special songs for seated celebrities, the megaphone announcers being Col. Robbins, Ralph Kastner and Barrett Woodsmall. The film "Flying the Lindbergh Trail" was shown.

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NEW WORLD LIFE INSURANCE CO.

HOME OFFICE—SEATTLE

Wade New Head of Financial Section

(CONTINUED FROM PAGE 11)

ing contingency is not imminent. He thinks this development in more economical housing will make slow progress and will not be sudden.

He said insurance companies should realize this development will come, however, and there will be changes in the cost of housing. Insurance companies have some old houses on their hands where they have foreclosed mortgages. They have mortgages on old houses and they have mortgages on new property that has been developed. He advised getting rid of old property as soon as possible and mortgages on old property should be reduced so that they will be paid off during the next few years. This is especially true in houses of value from \$8,000 to \$12,000. He said it will be necessary to float in a market of a more limited field.

Mr. Watson said the public might be ballyhooed into buying moderate priced houses and that will have to be watched. The development in housing he says is on the way and will cause an upturn economically. He told his hearers that they must take account of obsolescence and depreciation.

Cost of Building Is Still Very High

In answer to a question Mr. Watson said the reduction in house building is not receiving the cooperation of building trades because wage levels are high and they have not been brought down. The hours have been reduced. It is impossible, he said, to cut wages and expect a large volume of work to take care of it. He thinks that the FHA will have to absorb losses due to obsolescence.

P. M. Estes, Life & Casualty of Nashville, thinks that building sites are very important. He thinks the people are not going to be satisfied with \$2,000 houses because the ones of \$8,000 value will be better homes.

Mr. Watson said the decline in site values is due to the automobile because people can get quickly to suburban territory and there are greater facilities for reaching new lands. He thinks the single family detached dwelling is largely an American product and that home owners will demand such and will not be satisfied with the solid rows. He said this is part of the social and political philosophy of this country.

Cutting Cost by Cutting Room Area

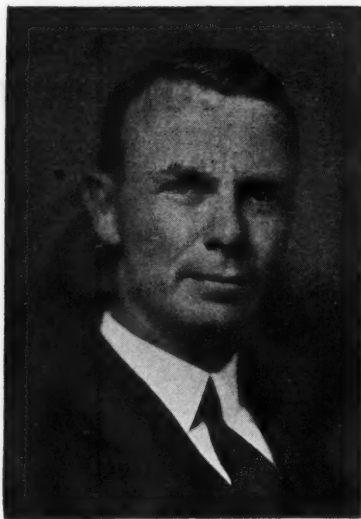
Reduction in cost, he declared, will come through careful planning. The best architects are giving this question profound thought. The decrease in cost, he said, will be due to a number of small factors. There can be a great saving in room area as compared with the older houses. Steel frames will replace wood.

J. B. Hanten, Midland National Life of Sioux Falls, S. D., said there has been too much credit extended, too great expansion, too much spending and too much waste. He said that real estate is standing too much of the tax burden and it will only be lifted when the tax is placed on each dollar that a person earns.

At the afternoon session R. Graeme Smith, assistant secretary Connecticut General Life, talked on urban and suburban mortgages. He had just come from the mortgage bankers' convention at French Lick. He said farm loaning has passed into an inactive stage. The companies have been forced into the city field, hence there is greater pressure to get acceptable mortgages. Mr. Smith said in recent years there has been more frankness in the exchange of information among companies.

Many companies, he said, are returning to the city field reluctantly. They made a number of wise resolutions as to what they would not do in the fu-

Presidential Speakers Heard



M. ALBERT LINTON, Philadelphia
President Provident Mutual



S. F. CLABAUGH, Birmingham, Ala.
President Protective Life

ture. Now they make many exceptions. Some time, he said, the big bill of obsolescence amounting to 30 billions of dollars in this country on real estate will have to be met. He said that loaners of money will face a big loss in the future when much cheaper construction arrives.

Mr. Smith said there has never been a joint study of the cost of administration of mortgage loan departments. He stated companies will have to look for good correspondents to get loans and go out and select them. In years gone by the correspondents ran to the companies. Companies now, he said, are willing to fit loans to the needs of borrowers. There are no fixed rules as there should be. The cost of home office and administration expenses is rising and is now $\frac{1}{2}$ percent and is going to $\frac{3}{4}$ percent. In the face of declining interest rate this creates a real problem. He thinks that companies will have to come to a joint field operation office.

So far companies have stuck very closely to sane and conservative appraisals. If they get away from that he predicts there will be a real cat and dog fight. The different institutions representing trust funds held a meeting in New York and had the Brookings Institute make a survey of the situation and a questionnaire was submitted to the federal authorities. The questions have been answered, he said, by the "brain trusters." He said the federal authorities will coordinate all general policies and principles of loaning to the public. There is no joint thinking, he said, among the trustees of savings funds. He declared the banks, the saving and loan associations and the FHA are making more progress in solving the problem than the savings fund trustees. One thing that Mr. Smith cited was the undermining of field correspondents of life companies by savings and loan people.

Rating of Rural Properties Explained

T. D. Morse of the Doane Agricultural Service of St. Louis explained the American Rural Agricultural System whereby rural properties are valued and soils are rated. He said this system appraises physical property and not the owner or manager of farms. The plan is still in process of development but he said it is feasible in its present period.

Chairman Raub said there had been some talk of either the American Life Convention or the Financial Section creating a bureau for the collecting and dissemination of information on bonds, especially among companies that cannot afford an expensive investment service.

Gains Everywhere Seen By Lindsley

(CONTINUED FROM PAGE 2)

tion by our federal government in the world war. Compulsory insurance for the soldier was a recommendation accepted by the public and gave life insurance a greater impetus than it had ever had before. Now again the government endorses the principle by the recently enacted social security bill. This is not an effort to reduce or replace the business of legal reserve life insurance but rather to supplement it in a more or less compulsory manner, and it has adopted the principles of our business for its execution.

Life Insurance Will Meet Individual Needs

"The benefits will be delayed and very small in proportion to the need and desire of the average man. The inherent desire of the true American to provide a competence for his old age and to protect his dependents, still exists and can be better taken care of by the life companies than by the government. The life insurance contract can be made to fit the individual's needs and is elastic enough to cover all contingencies while the government plan can be only a rigid character designed to help those who either could not or would not otherwise provide for themselves. Through the medium of additional taxes the life companies will help to pay the bill in several ways.

"We have enacted many new laws of an experimental character, under the guise of emergency, some of which have proven helpful and others through trial and error have not been so good. Some of these will no doubt be discarded and some amended as experience develops the need. No doubt we shall have amendments to the social security act in time but I do not believe that the insurance business need have any fear of its replacing the functions of legal reserve life insurance as we have it today.

"In my opinion there is a great deal of good that might be accomplished by the executives of our companies in making personal contact and acquaintance

H. V. Wade, the new chairman, in his talk on accepting office, said during the year foundations would be laid for some investment services. Many challenges, he said, have been made to life companies and an endeavor will be made to meet them.

with the senators and representatives from their various districts.

"Personal visits with your representative would enable him to learn more of the fundamentals of life insurance and the great good it accomplishes for all the people. No other business is so closely related to the entire population and their welfare as is life insurance and it should be very carefully safeguarded in its relation to legislation.

"The subject of proper investments for life companies to maintain a maximum degree of solvency and at the same time a proper degree of liquidity and adequate return, is one of our most serious problems.

"Government has practically absorbed the field of real estate loans through the federal land bank and HOLC. Money in banks has accumulated to a point of embarrassment in finding an outlet in safe investment. A similar condition exists with the life insurance companies. This situation has created an unusually low interest rate on government bonds and other securities adaptable for life insurance investment. The lack of demand for money in industry has contributed to this condition and we can only hope for a revival of business and industry, which will come when confidence in the security of capital is restored.

Capital Is Entitled to Reasonable Profit

"Notwithstanding the additional taxes and other apparent handicaps placed on business there will still remain the incentive and sufficient initiative for capital to go back into industry, when it feels that it will have a reasonable assurance of a fair and reasonable profit. Taxes will be an increasing burden and are necessary and essential to the present condition, so we will simply have to adjust our business to meet the situation not only as it confronts us now but to project our plans along this line for years to come.

"The life of our business will, through its corporate entity, project itself farther into the future than any of us will live, so it is our duty to keep the corporate body clean, healthy, and wholesome, to meet all conditions that may arise, as it has so splendidly conquered all adversities in the past.

Executives Appreciate Their Responsibility

"The life companies have at present approximately \$100,000,000,000 of insurance in force, on over 63,000,000 lives or nearly one-half of our population and another quarter of the population has a definite interest in this insurance. These policies were issued on liberal terms and in accordance with conditions existing before the depression. The funds accumulated to protect this business constitute a sacred trust fund which in the final analysis belongs to the widows and orphans. The life insurance executives recognize their responsibility in the proper administration of these funds for the ultimate and complete fulfillment of the policy contracts.

"The burden of taxation has reached a point, not contemplated, when these contracts were made, and any additional burden of taxes will have to be paid by the policyholder either directly or indirectly, which would be a tax on thrift and savings of these millions of policyholders. It is the duty of every life insurance executive to give his personal attention to this subject of taxes, the same as he does to the investment of funds of the policyholder."

Victor R. Smith's Career

Victor R. Smith, general manager and actuary of the Confederation Life of Toronto, who was on the program is one of the eminent Canadian actuaries, a profound student. Aside from his technical training he is a successful administrative official. He started with the Confederation in 1908 in its actuarial department. He was appointed actuary in 1917. Later he became assistant general manager and actuary.

THINGS TO LOOK OUT FOR IN MUNICIPALS

(CONTINUED FROM PAGE 10)

as a whole, is it payable from a general tax levied against the entire municipality? There may be revenue bonds payable from utility earnings only or solely from the earnings of an enterprise such as a toll bridge. Bonds labeled 'utility' or 'revenue' may, in some cases, be payable only from utility earnings, or they may be obligations which pledge the full faith and credit of the municipality in addition to setting aside a part of the revenues from the enterprise. You should know thoroughly the type of bond you have and the remedy available to you in case of default.

Financial Record of Community Is a Useful Guide

"The financial history of any community gives some idea as to the ultimate payment of its securities. You need to know, of course, its tax collection history from 1928 to date. While the tax rate is relatively unimportant, perhaps you may ask for it. It has little value as to trends or as to comparisons between cities because of the violent fluctuations in assessed valuations and because there is so little relation in many cases between the actual value of property and the assessed value thereof. I have said before that defaulters have a tendency to repeat. Many cities have a reputation for good debt administration. These receive special credit therefore. Perhaps the most important factor is the history of local government administration. If the town has a bad political record consistently, there may be some danger in its securities. There are many cases where the desire to pay is more important than the actual capacity to pay. Many cities which have met all obligations could have found much more justification for default than some of those which failed to pay.

Short Term Borrowing May Be a Danger Signal

"A study of the short-term borrowing policy of a municipality will probably give you the most helpful information with the least effort. It will show what the trends have been with respect to balancing the budget of the municipality. Short term borrowing may have resulted from failure to raise sufficient taxes, from the failure to live within the appropriations once made, or from the expenditure of items not contemplated in the original budget. Furthermore, cities which have not indulged in short-term borrowing have some "slack" upon which to draw in hard times. If a city must rely on borrowing

annually to meet its bond and interest requirements, it may find itself in difficulty should it be impossible in any one year to make such loans. Several of our larger American cities have come to grief during the depression because of large amounts of outstanding indebtedness in the form of notes. The necessity for short-term borrowing ought to be completely eliminated.

"A city which has increased its debt at a rapid rate should be regarded with caution. Sudden growth of debt is one of the primary causes for default. Debt which increases only with the normal growth of a community will ordinarily not be unbearable.

Maturities and Sinking Funds Should Be Watched

"Many cities have defaulted because their schedule of debt maturities has not been carefully planned. The entire outstanding debt may not constitute a burden if it is paid off over the proper period of years. There may be peak maturity years in which the amount of bonds to be retired is particularly burdensome. It is, therefore well, if you are making a thorough study of the situation, to find out if such a condition exists.

Sinking fund bonds are still being issued. If you buy them, or if you invest in serial bonds of a community which has sinking funds, inquire as to the status of these funds. The failure to contribute regularly the proper amount to the sinking fund may indicate either that the city is not keeping faith with its creditors, or that it is not aware that sound policy lies in complying with such a practice. Furthermore, if you hold sinking fund bonds and no fund is established, you will probably be asked later to take refunding bonds.

"The bonds of industrial corporations are usually paid from income and not from capital. The same is true of municipal obligations. It is therefore important to know not only the income of the municipal corporation itself, but also something about the income of its taxpayers. I believe the failure to recognize that bonds must be paid from income is one reason for the failure, in border line cases, of the use of assessed valuation as a guide for buying municipal securities. Many indices point to municipal income such as bank clearings, expendable income, income tax returns, retail sales per capita, automobile loans, etc. These figures are readily obtainable.

"In addition to the things which I have mentioned above, you need to have all of the ordinary statistical data which is submitted to you by the bond house or by the municipality.

Overlapping Limitations May Be Deceptive and Ineffective

"Debt limitations have existed in most of our communities. They have not been successful because they failed to control the overlapping indebtedness against the entire municipality or against the individual parcels of property. In the village of Berkley, Mich., for instance, the direct debt outstanding against the municipality, as far as general obligation bonds were concerned, amounted to only \$570,000. The actual overlapping debt against the parcels of property lying within the city amounted to \$2,940,150. You know, of course, that the nominal debt limit of New Jersey cities is 7 percent of the assessed valuation. Nevertheless, the New Jersey definition of net debt excludes from the overlapping debt, the debt of school districts, special assessments, and many other obligations. The debt of many New Jersey cities has thus exceeded 25 percent of the assessed valuation. If you were to take the direct general obligation debt of the city of Chicago, you would have an amazingly low figure. However, if you add the burden against

all property within the corporate limits of the city of Chicago, arising from obligations of the school district, the various park districts, the sanitary district and others, you have a heavier burden. You must, therefore, be guided by the total debt against all of the property within the municipality. These figures, of course, should be reduced to debt per capita and percentage of debt to assessed valuation. They should not be considered as final but merely as yardsticks to show when special consideration is needed.

Would Have Been Fewer Defaults and Less Racketeering

Laws alone cannot guarantee the payment of municipal obligations. Nevertheless, they can help in many instances. While I am a firm believer in home rule for municipalities, yet where there are extensive municipal defaults some state supervision and state help is necessary. If more of our states had taken the attitude that Massachusetts did when it instituted the receivership for Fall River, there would have been fewer defaults and less racketeering. The states do have an obligation to their municipalities which they ought to recognize. North Carolina has locked the barn door after the horse was stolen; nevertheless—

(CONTINUED ON PAGE 22)

Agency Secretary



E. B. STEVENSON, JR.
Vice-President National Life & Accident

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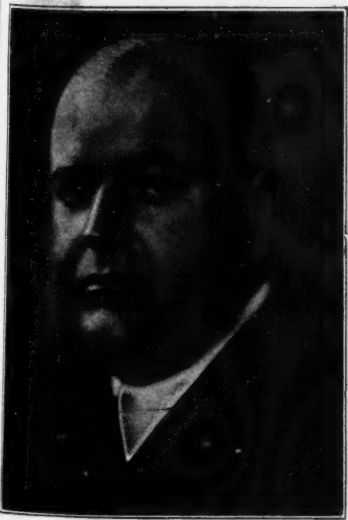
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Edward B. Raub
President

A. H. Kahler
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From Historic Shadow of Independence Hall



FRANK H. DAVIS, Philadelphia
Vice-President Penn Mutual Life

PROGRESS



Holding fast to the fundamental ideals of individual initiative and thrift—preserving the best there is in old policy forms—adding the best in new methods and new contracts, Central States Life believes that the American Legal Reserve System is the best agency through which the masses may obtain adequate social security and protection.

*To the executives assembled in Chicago,
we offer our greetings and good wishes.*

CENTRAL STATES LIFE INSURANCE COMPANY

St. Louis, Mo.

George Graham, Pres.

Accident : Life : Health

UNITED Insurance Company

Founded in 1919

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Invites Correspondence from Producers

LEGAL RESERVE

O. T. HOGAN, President
A. D. JOHNSON, Secretary

Accident : Life : Health

Official Patience, Sympathy Needed in Building Morale

(CONTINUED FROM PAGE 3)

ing salesman who had made of his business a life work and religion based on the primary need of man for shelter and a roof over his head. "And I thought that we, too, are in the roofing business," Mr. Clabaugh said. "He merely sells the material or does the work. We provide the roof over their heads and keep it there."

"And as we look out at the man-made world about us and marvel at the work of the architect, the engineer, the builder, the manufacturer and all the rest, we can think that ours is the work of protecting the human values that create all these material values. A proper conception of this work and of what we call 'the company' is at the foundation of building and sustaining agency morale."

Says Mental Attitude Is an Intangible Factor

"Morale is a thing of the spirit. We are, therefore, talking of the zeal, the enthusiasm, the loyalty, the mental attitude of the agent, all things intangible, of the mind and the spirit of the agent."

"The morale of your agents depends upon your conception of their place in the work you have jointly undertaken. The relation is contractual. It is partnership. True, the company must make rules and rates within the limits of the contract, but it must make them with a recognition of the mutual interests involved. Ours is not a military organization. We have no right to be autocratic or arbitrary. There must, of course, be a company policy. There must be standards and uniformity in many matters, but the type of men who succeed best in this business offer the greatest resistance to regimentation."

"Research and experiment and experience can determine many facts for us which could be made available to our agents, but so long as salesmanship is an art or life insurance a profession, we must respect the identity and the individuality of the agent. That is, if we wish to sustain his morale."

Agent Not Automaton; Humane Treatment Best

"He is not an automaton or a statistic; he is a human being. And we must seek to understand his viewpoint, to put ourselves in his place, to have unlimited patience and sympathy with his problems, and to permit and encourage the development of his own personality and initiative and resourcefulness."

"While morale is a thing of the mind and spirit, it depends on and is affected by some very tangible and practical things. The day has passed, if it ever existed, when the agency executive could build morale by whooping it up with box-car letters, fatuous optimism, exhortation, cajolery, flattery, backslapping. You know the type—the nervous quarterback who runs back and forth spanking the rumps of his linemen and wasting energy and time needed for thoughtful planning and generalship. True, there come times when a little of this may wake up a lethargic team on the gridiron or in business, but sustained morale depends on something more for a steady diet."

Arbitrary Announcements of Restrictions Unwise

"There must be constant planning with a sympathetic consideration of the problems of the man in the field. Especially has this been true in the difficult period through which we have been passing in recent years. Home office announcements, particularly those of a restrictive nature, should be constructively presented and properly explained. Rate increases, dividend reductions, decreased limits of retention, and revised underwriting standards, arbitrarily announced or negatively presented, can but engen-

der a feeling of conflict of purpose between home office and field. Properly and constructively presented and explained, they can find a ready acceptance."

"There have been many developments, too, during recent years tending to build and sustain agency morale—the new policies, from pure protection on the one hand to pure investment on the other; the elimination of the part-time agent in urban centers, definite plans for prospecting, constant research and the exchange of experience through groups like this and the Life Agency Officers Association and the Life Insurance Sales Research Bureau, cooperative and individual advertising, and the steady accelerating and cumulative value of Life Insurance Week, this time to be under the direction of our distinguished chairman."

Urges Realistic Recognition of Agents' Financial Problem

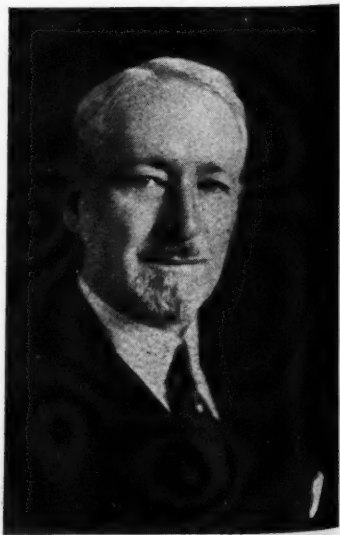
"And there is the old familiar and yet unsolved problem of compensation and finance. Some managers have the gift of training their men in the sound principles of handling their finances, in soliciting only good credit risks, in getting cash with the application, in the very cautious and judicious extension of credit, in the preparation of and adherence to a personal budget. In building and sustaining agency morale, there is nothing more important than a frank realistic recognition and treatment of the agent's financial problems."

Wills—a Tennessee Product

President W. R. Wills of the National Life & Accident of Nashville, is a Tennessee product having been born in Brownsville. He served as Tennessee deputy insurance commissioner for seven years. He was one of the founders of his company and served as first vice-president for 30 years. In 1932 he was elected president. An old fashioned, conscientious man, seeing much of the lighter side of life, he is a typical southern conversationalist. He claims that Brownsville is the finest place on earth.

A number of the American Life Convention people came on spending the week end in Chicago in order to attend the world series baseball games.

Thursday Speaker



ARTHUR F. HALL, Fort Wayne, Ind.
President Lincoln National Life

SCHRIVER GIVES AGENCY MORALE FACTORS

(CONTINUED FROM PAGE 3)

Life insurance is and does. Make him realize that it is not the asylum for failures, but that it is a great crusade against poverty. Make him realize that it is bigger than he is, that he is engaged in a great philanthropic enterprise that will not only satisfy his heart but adequately compensate him for his interest. Teach him that it is thrift, the education for children, protection for loved ones, and competence in old age all rolled into one great enterprise. Teach him that men should not own life insurance because someone is going to die, but because someone is going to live.

"Second. Encourage him to own a program of life insurance which is adequate for his own needs. Nothing will create confidence in a man like owning the thing that he offers to his client.

"Third. Teach him to prospect. And don't be stingy with office leads. Nothing will tie a man to you so much as occasionally showing him where he can get a piece of business. The agency manager who plays fair with office leads will find his men fighting for him in the pinches.

"Fourth. Help the agent develop his technique. There is no business in the world which offers a man a greater opportunity for the development of originality and personality than the business of life underwriting. It is the agency manager's business to discover and develop those qualities which are native in a given individual, and which, properly directed, will make of him an attractive, persuasive and enthusiastic salesman.

"Fifth. Help him to enlarge his acquaintance with worthwhile people. The agency manager, by the very nature of the case, has contacts which can be made of great value to his men. Share your contacts with your men. Make them feel that they occupy the same social station enjoyed by you. Make equals of your men but retain your leadership. That means work, but it is worth it.

Make Men Realize Value of Time

"Sixth. Make your men realize that time is valuable. This again by example and precept. Teach them that time is money. That no day can be recalled and that the end of each day they have sold so much of life. Insist that every man account in writing for the use of his time at the end of each week. Check over these reports. Counsel with your men about them. Try to make each set a higher price on his time. Make him realize that he is his own taskmaster and paymaster, and ask him if he is satisfied. Suggest ways and means of increasing his income.

"Seventh. Help him to set a goal which is worthy of him, and which he has a reasonable hope of attaining. Report to him regarding his progress at the end of each month. Encourage him to acquire the app-a-week habit. It may save his life.

"Eight. Strive to keep your men in the right mental attitude. Here is where an agency manager must be a diplomat, a sympathetic adviser, and sometimes a big brother. Slumps are the very bane of our existence. They are generally psychological, but the effect is none the more deadly. One thing an agency manager must never do, and that is to show the white feather himself. He must be strong, courageous, sympathetic and inspiring—or he will fail.

"Nine. Try to have your men get the contagion of your devotion to your business, and let your devotion to your business be akin to fanaticism. And why shouldn't we be devoted to our business? Could any other business be described by its servants as life insurance has been epitomized? Life insurance is love triumphant. It is father's financial immortality. It is the material

out of which you build the house of protection for mother and the kiddies. Life insurance is the great emancipator of want. It is the guardian angel of the home. It is the thing which makes love live beyond the grave. It is the tangible evidence that you were a good husband and father.

"Interpreted in these terms, life insurance becomes not simply a matter of protection, or cash values, or net costs, or even commission dollars. It may be all of these things but it is also a holy crusade. It is the manager's job to see that this ideal is always kept before his men.

Organized Friendship Marks Successful Life Agency

"Any successful business enterprise is organized friendship. The most successful agency is the one which most nearly approaches this ideal. It has been said that a successful enterprise involves men, money and materials. This is only a half truth. To this must be added meaning and cooperation.

"Agency morale can be built and maintained only where there is high regard for the company, respect for the agency management, and mutual regard and good will among the members. These are well known, even trite, axioms but they are rarely experienced. In this discussion we are interested in how these axioms may be actually realized. To touch only the high spots, I believe we can have a high and virile agency morale only when:

"First. Each man is given some opportunity for self-expression. Any sensible educational process provides an opportunity for expression as well as impression. After all, we are children at heart. We like to be noticed. Improve every opportunity to suitably recognize and reward unusual achievement or merit.

"Second. See that the highest possible degree of mutual respect and regard is maintained. Keep the men in the agency not only interested in their own success but in the success of their associates. Promote the family spirit to the highest possible degree. Encourage the more successful men to lend a helping hand to the less successful. That attitude has to be cultivated but it can be acquired and maintained. I have seen it work to the advantage of every party to the transaction.

"Third. See that enough (but not too much) of the competitive spirit is

Presents the Viewpoint of the General Agent



LESTER O. SCHRIVER, Peoria, Ill.
President National Association of Life Underwriters

OUR TWENTY-FIFTH ANNIVERSARY since the Company began business occurred last month. In the years between the goal of building a strong western life insurance company steadfastly has been kept in sight.

The Company's ratio of assets to liabilities has steadily increased with the passing years. From 114.89 per cent at the close of 1930 to 119.67 with the end of 1934.

As of September 15, 1935 the market value of the Company's total list of bonds owned exceeded the book value by two and eight-tenths percent. Over 75 percent of the entire list of bonds come within the A rated class of the four recognized bond authorities. Only eight out of over 500 issues of bonds owned are in default. These eight are carried at actual market value and at this value represent one-half of one per cent of the book value of the total list owned.

Montana Life Insurance Company

Enduring as the Mountains

Helena

Montana

R. B. RICHARDSON

Executive Vice President

That necessary "sales-clincher" is in *this* selling kit

¶Policies to fit all personal and economic needs as well as known and even anticipated conditions of prospects are found in the American Savings Life selling kit. Here are thoroughly up-to-date and modern policies—most liberal in coverage and interpreted with the interests of the policyholders foremost.

¶Fortunately, they cover life, accident, health and give our agents a complete and varied line of attractive policies.

¶Best of all our men work under a very different and exceedingly generous "Square Deal Agency" contract that will be especially interesting to you.


¶All this backed up with sincere personal help and friendly home office cooperation provides an unbeatable "sales-clincher." It will help you, too.

•[If interested in such a connection in middle west territory write J. T. Mayall, Vice-President]

AMERICAN SAVINGS LIFE INSURANCE COMPANY

KANSAS CITY, MISSOURI

R. S. Tiernan
President



PILOT LIFE
Insurance Company

**The Big Little Company that has
Increased its Assets
Every Year Since Organ-
ization in 1903**

Brings GREETINGS to the
American Life Convention in
their deliberations to advance
the institution of Life Insur-
ance—the "Social Security
Act" that has been "on the
books" for generations.

Emry C. Green
President
Greensboro, North Carolina

Factors of Choice

In choosing a company for permanent connection a life underwriter should consider:

1. Has it outstanding stability?
2. Does it extend all the forms of modern life insurance service?
3. Does it operate in a territory enjoying solid recovery from general economic distress?
4. How does its field staff measure up as to quality production?
5. Is it favorably and widely known within its operating territory?

We have the answers to these and all other questions the underwriter of character may wish to ask.

**California-Western States Life
Insurance Company**

O. J. LACY, Pres.

SACRAMENTO

developed between individuals and groups. Contests, campaigns and special efforts (within reason) tend to stimulate activity and increase and improve agency morale. Men are born fighters. Many men do their best work when the fighting instinct is aroused. Gear this instinct to a well planned and well timed campaign and you will go places. Production will be stimulated, more commissions will be earned, the company will get more business, the agency manager will get credit for being smart, and everybody will be happy.

"Fourth. Team spirit and team work are the most useful factors in winning a ball game or conducting a successful business. You have seen a great pitcher lose a base ball game because his team mates threw the game away, and you have seen a relatively poor pitcher win a game because the team was a perfect working unit. No pitcher, no matter how great, can win a game single handed. And no agency manager, no matter how brilliant, can run an agency alone. He must have cooperation, team work, that indefinable something which makes people want to fight for the common good.

"The agency manager who loses himself in an honest and intelligent effort to develop successful, happy, self reliant and self respecting life underwriters will find himself at last rewarded with friends, heart satisfaction, and a reasonable measure of this world's goods."

Despite Advance, Problems Exist

(CONTINUED FROM PAGE 1)

ing and were adopting a general policy. This is true of the other competitive institutions but he saw no joint thinking on the part of those that are trustees for private funds such as life companies.

The FHA for instance with its 80 percent loans is an active competitor. The national banks come into the competitive field under the new banking act which enlarges their loaning scope. Then again he mentioned the savings and loan associations which are financed largely by government money. They possess their own re-discount system. They operate under federal charters, have guaranteed shares and make guaranteed loans. With cheaper money they can make the field very hard for the life companies. Their operating cost is lower. Therefore, they have a distinct advantage.

Canadians Offer Much That Proves Helpful

The American Life Convention has become convinced that Canadian officers possess a profundity of thought and admirable technical training and experience and think things through in a way that makes them most excellent teachers and guides. Last year President A. B. Wood of the Sun Life of Montreal read a paper which was regarded as a classic. This year another Canadian came forward with a paper that will be read and studied to great advantage—V. R. Smith, general manager and actuary of the Confederation Life. The fact that those in command of the English and Canadian institutions come into high places through the technical route wherein they are early trained in the mathematics, statistics and technique of the business may account for their type of mind. In the United States many of the officers are graduates of the field or the financial or legal departments which do not call for this accurate, systematic delving into the very innards of the business.

The audience was particularly interested in the address of President Linton of the Provident Mutual who talked on the social security act. He is regarded as a real authority on the subject. Mr. Linton's observations were convincing because of their judicial attitude, candor and impartiality. He believes in the principle of social security, that is, he feels that the government

Heads Delegation



JAMES A. FULTON, New York City
President James A. Fulton of the Home Life attended the meeting as chairman of the friendly delegation from the Association of Life Insurance Presidents.

should do something to make people more secure in employment, old age and disability. The point he made in his address was that the drafters of the program had not done clear thinking. There are chimerical provisions in it that are dangerous and sweeping. The very proposal itself may fall ultimately under its own weight. Therefore Mr. Linton hopes that something can be done to amend and revise the measure to make it safe and sound.

The government could do nothing better than to appoint Mr. Linton as chairman of a committee of outstanding actuaries to counsel in the reshaping of the whole social program. Mr. Linton has had the advantage of a thorough technical training. He has broadened his view as he advanced into general administrative duties. Today he is one of the foremost executives of the western continent.

President A. F. Hall Gave Practical Talk

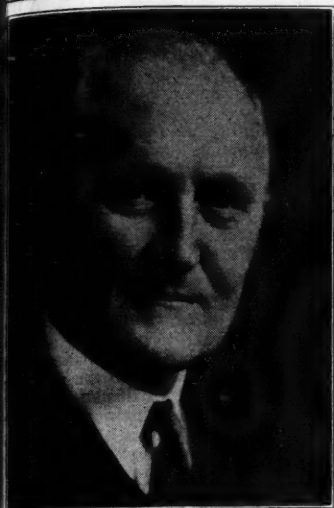
President Arthur F. Hall of the Lincoln National has often been referred to as an executive that has been able to train a most capable and efficient organization at his head office. He conducts not a one man enterprise. By selecting men of superior endowments at the start and clothing them with responsibility, he has thus created a magnificent team. The men work in unison. Mr. Hall in his talk gave some very practical advice which one man institutions could well heed. In some detail he outlined the policy that he has pursued in the Lincoln National. President Hall has never had a moment's solicitude about his own standing as he was building very successful associates.

Increase for Service Bureau

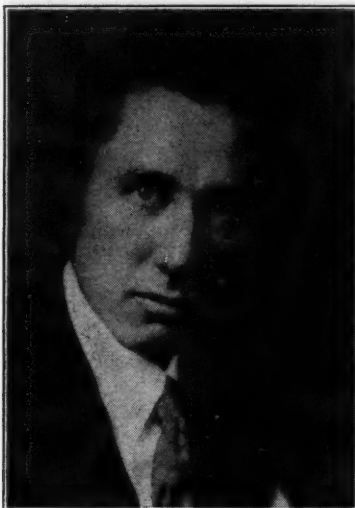
The American Service Bureau, which conducts inspections for American Life Convention companies, had an increase in the amount of business of 12 percent this year. President Lee N. Parker reports. The bureau is more prosperous than ever and has ample operating funds. There are now 80 life companies using the service to a greater extent than ever before, and the bureau is an increasing factor in service rendered A. L. C. companies. President Herbert K. Lindsley also summed up the bureau's operations in the year.

Ray Yeater, former Iowa commissioner and now counsel Yeomen Mutual Life, arrived Wednesday.

Again Head Industrial Men



J. F. MAINE, London Life
Re-elected Chairman



F. M. NETTLESHIP, Equitable, D. C.
Re-elected Secretary

Maine Is Re-elected by Industrial Men

(CONTINUED FROM PAGE 4)

Grant questioned the legality of a company assuming liability for pensions and Mr. Hohaus explained that there were no complications involved.

The afternoon session was supplemented by an informal evening gathering at which agency contracts and accounts were discussed. Last year those present at a similar session were reticent to discuss contracts, but suggestions and methods were freely interchanged this year. G. R. Kendall, Washington National, explained the advantages of establishing a special salary reserve over a period of 13 weeks so that the agent knows just how much he has coming over each three month period. Various phases of handling increases, reducing lapses, etc., through agency contracts were considered, the following expressing views: A. G. Palmie, Home State Life; Mr. Grant; H. R. Kendall, Washington National; R. B. Evans, Colonial Life; Mr. Nettleship; D. P. Morris, London Life, and Mr. Rothschild. The Industrial Section sage and humorist, W. R. Wills, National Life & Accident, enlivened the session with his comments. Chairman Maine was greatly responsible for the fluency of the speakers, as he stimulated much interest with his thought-provoking questions.

Mr. Williams suggested that next year's Industrial Section meeting be held in the morning as are the other sections.

INDUSTRIAL COMMENT

There was a decided improvement in attendance this year at the Industrial section. More companies were represented.

The National Life & Accident of Nashville had a strong battery of officials present: Chairman of the Board C. A. Craig, President W. R. Wills, Vice-Presidents E. W. Craig and E. B. Stephenson; Vice-President and Secretary W. S. Bearden and Actuary W. H. McBride.

The Western & Southern came in force with President C. F. Williams, Vice-President C. M. Williams, J. J. Doyle, publicity and manager, and James V. Barry present.

Chairman J. F. Maine, London Life, had things well organized and again demonstrated his outstanding ability as a leader.

The famous Kendall family of the Washington National took part in the councils. President G. R. Kendall presented a prepared paper at the contract

discussion while Chairman H. R. was called upon. Vice-President C. P. and G. P. were also present.

From Oklahoma City came President J. D. Morse of the Home State Life, Vice-President N. A. Morse and A. G. Palmie, industrial superintendent of agencies. The senior Mr. Morse and Mr. Palmie took an active part in the discussion. This delegation was here last year.

Felix Rothschild, secretary Sun Life of Baltimore, made a favorable impression with his spirited talk for concerted action and his discussion of various phases of agency contracts.

Hotel Manager Gives Welcome

Managing Director W. M. Dewey of the Edgewater Beach Hotel, most popular and gracious host, extended greetings at the very opening of the meeting Wednesday morning.

Central Life of Iowa Resigns

In the report of Manager Robbins, it was announced that the Central Life of Iowa had resigned from the American Life Convention. In spite of mergers and other adjustments, the influx of new members brought a gain of 11 companies since a year ago.

Kansas and Indiana

When President H. K. Lindsley introduced President Arthur F. Hall of the Lincoln National Life he referred to the fact that the latter was born in Kansas and later located in Indiana. Mr. Lindsley on the other hand is a native of Indiana and migrated to Kansas.

Here and There

M. Dorothy Pernot, at the head office of the National Guardian Life of Madison, Wis., accompanied President George A. Boissard to the convention. She is an investment expert and was particularly interested in the Financial Section. She is a graduate of the University of California and took a post graduate course in economics and investments at Columbia.

From the Illinois Insurance department there came Insurance Director Ernest Palmer, Actuary R. R. Haffner, Frank W. Young, special deputy, and T. J. Kadyk, assistant attorney-general.

Lloyd J. Dort of Omaha, vice-president of the Service Life and former insurance commissioner of Nebraska, spent the week at the convention.

One of the newcomers was G. W. Gordon, vice-president and general counsel of the Monarch Life of Springfield, Mass.

MINNESOTA MUTUAL'S

New ordinary business in August
was 27.7% over August, 1934.

Reasons—

- § A Liberal General Agency Contract—
- § A Financing Plan for the Agency—
- § A Plan for Financing your men—
- § Unique Sales Helps—
- § A Policy for every purpose—
juvenile, women, group, wholesale, etc.
- § A tested Organized Selling Plan
- § A detailed plan for finding—training men
- § A unique supervisory system
- § Accounting methods for your office that tell you just where you're heading
- § An understanding, cooperative, sympathetic Home Office
- § An old substantial, Mutual Company—over 50 years—Not too big to know you—

Big enough to command respect anywhere

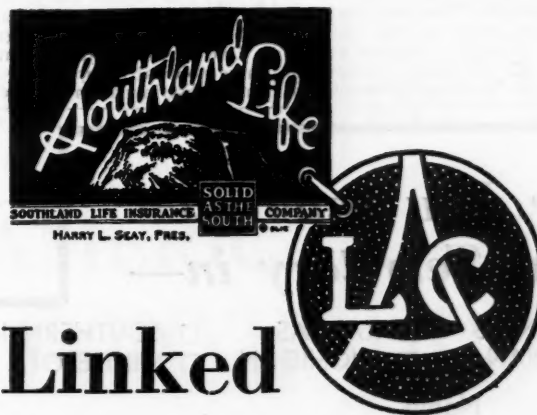
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HAROLD J. CUMMINGS, Vice President

THE MINNESOTA MUTUAL LIFE INSURANCE COMPANY

SAINT PAUL, MINNESOTA



Linked TOGETHER

---for the persistent
and continuous de-
velopment of the
American Institution of
Life Insurance.

TEXAS 1936
CENTENNIAL
CENTRAL EXPOSITION - DALLAS

Things to Look Out for in Purchasing Municipal Bonds

(CONTINUED FROM PAGE 17)

theless, its recent act creating the local government commission has been constructive. Likewise, the payment of municipal obligations through a central state agency such as exemplified in West Virginia and Kansas ought to be useful. Laws requiring that budgets be made carefully and that the money levied for debt purposes be segregated from other funds when collected are also helpful. If the state auditing of local accounts could be carried out properly and make as one of its objects the inspection of sinking funds and the proper levies for debt service, there might be more justification for it.

"I mentioned before that tax limitation laws must be watched carefully. Debt limitation laws also should not be emasculated by the creation of overlapping district debts. We have debt limits which are passed merely to add on to other debt limits. In Oregon, for instance, a few years ago if the various debt limits were added they totaled 78 percent exclusive of many special levies. Therefore, we ought to have a state law relative to debt limitations which really would provide a limit. Another factor which is usually governed by state law is the security of public deposits. This may not seem important at the present time, but it may be in the future. In the final analysis the proper security of public deposits can come about only through a sound banking system rather than the use of special devices such as surety bonds, the posting of collateral, and state guarantee funds.

"Because of the fact that certain states themselves have defaulted from time to time, or because the municipalities in them have been periodic defaulters from generation to generation, we ought to give heed to these matters. If you are interested in avoiding defaults, perhaps you may keep away from such centers.

"There has been little information about past defaults. You may be interested to know, then, of the excellent work which is soon to appear on the subject. A. M. Hillhouse, director of research for the Municipal Finance Offi-

cers' Association, has been working for two years on a study of municipal defaults for the 100 years prior to 1929. He has studied the legal aspects of approximately 1,000 such defaults and the references to them in the leading financial journals. Very shortly he will publish a book dealing with his findings. It will show the causes of default, the present situations in the United States and Canada, and the remedies for some of these conditions. Furthermore, as a corollary of this, a catalog of all defaults found by Mr. Hillhouse has been prepared. These have been arranged by states and by cities and counties within states, showing the legal reference or periodical reference to each such default. We believe these two works will have a permanent place in literature about municipal bonds."

Group Round Table of Great Interest

(CONTINUED FROM PAGE 7)

union, its financial condition, the kind of officers it had, the work in which they were engaged, etc. In other words, it was felt that there must be very rigid selection. If a trade union is affiliated with the American Federation of Labor, it will be only a short time before it will transfer its group to the Union Labor Life. Some companies cut down their schedule of commission to discourage the writing of certain classes that the company really does not desire. Some of the delegates felt that the best type of unions could be written with profit, especially for a limited period.

Another interesting discussion arose over the application of the group plan to political groups such as municipal employees. Many of those participating had found this an unsatisfactory line. A few had written policemen and firemen. When the rate increases, it is generally found that the younger ones will not pay. Some insure federal employee groups and require 100 percent membership. One company uses the non-medical questionnaire on such groups.

One member stated that in taking these political groups there should be a sharp discrimination between employees

Gives Farewell Talk



J. B. REYNOLDS

J. B. Reynolds, president of the Kansas City Life, one of the founders of the American Life Convention, its first president and the only man to have ever served twice in that capacity, as usual gave a farewell talk, winding up the proceedings of the convention, in making the formal motion to adjourn.

that are on a permanent basis and those that are subject to the political ax. For example, there should be no elective or politically appointed people taken.

Another discussion involved group insurance for institutions to cover unsecured loans where small loans are made. Some had found that particularly desirable, especially when banks held the master policy.

Excess Insurance Brings Unnatural Fluctuation

There was a discussion as to excess amounts of insurance, especially written on executives in the group rate. Some in commenting on this stated that where this excess is written there is likely to be an unnatural fluctuation. The older persons will take it and the younger ones have to contribute to the deficit. It was stated that where this excess is written it treads on the regular ordinary business of the company. If those under a group policy can get larger amounts than the average at the group rate, they will take all they can. In some cases this has resulted in corporation insurance being eliminated. The legitimate group insurance, it was brought out, consists in a regular one-year term rate on all employees. It is necessary to get the business on an experience rating basis. Where there is a maximum amount carried on the higher ages the experience may be very unfavorable.

One member was desirous of ascertaining whether the companies writing group insurance had tried to write this protection under any other than the one-year term plan. In other words, can group insurance on level premium basis be written satisfactorily? The larger and older companies took the position that no satisfactory plan for writing group insurance had been evolved on a level premium basis. There are many complications, due largely to state laws. Much thought has been given to it and a committee is still working on it. When a level premium is adopted, then the business gets out of control. An employee leaves the concern, goes hither and yon and is no longer a member of the group. This danger is seen in the writing of wholesale insurance. The difficulties lie largely in administration.

Some of the delegates brought up the question as to the experience of companies where group policies had been converted into permanent forms. All agreed that a very bad experience had

resulted, due to selection against the company. One member asked whether wholesale or salary allotment insurance had been worked with groups where a group policy had been written. A few companies stated that they had not encouraged this, while others had found it very desirable. One member stated that when a group policy was written the employees became insurance conscious. This is particularly true with the more important or highly paid people. Therefore these companies have been able to secure considerable permanent business by soliciting the people in the higher brackets.

Group Insurance Should Be on More Stable Basis

At the close of the meeting the question of twisting again came up. Some of the men older in the field emphasized the desirability of getting group insurance on a more stable basis. These men said that it is up to the companies to stop twisting. Chairman Lounsbury suggested that the American Life Convention take the lead in this movement. It was stated that now insurance brokers may go from company to company, placing a group in a conference company one year and non-conference in another.

There was some discussion on group health and accident insurance but evidently there was not very much interest in the subject. It was agreed by those companies that write it that the experience was much more disastrous in the south than in other sections.

Present Ideas on Keeping Up Morale

(CONTINUED FROM PAGE 3)

lan, vice-president Provident Life & Accident, Chattanooga; G. F. Claypool, executive vice-president Continental Assurance Chicago; Walter E. Webb, Hercules Life, Chicago, and H. W. Manning, assistant general manager Great West Life, Winnipeg.

At the opening of the Agency Section meeting, President H. K. Lindsley of the A. L. C. introduced Insurance Director Ernest Palmer of Illinois. He extended greetings of the National Convention of Insurance Commissioners, of which he is first vice-president. He stated he has confidence in the guarding hands of insurance institutions.

Mr. Clabaugh is not in sympathy with euphemistic terms applied to men soliciting insurance. The word "agent" in its Latin origin means "one who does things." There is, he says, no virtue in calling an agent a counsellor, a life underwriter, a special representative, or whatnot. Insurance, he said, is not operated along military lines. The very qualities that make good agents resist regimentation. Sustained morale depends on successful generalship and constructive thought.

Selling Life Insurance Is Extremely Hard Job

Mr. Davis acknowledges that selling life insurance is an extremely hard job and calls for courage, enthusiasm, resourcefulness and optimism. He said, however, that when a man really wants to accomplish anything or do anything he will eventually find a way to achieve if it is possible. Mr. Davis claims there are no special tricks to be used in stimulating salesmen to get business. During all of these years of depression he finds that the use of sound agency practices has demonstrated the worth of sticking closely to the well-trodden roads. He deplores the multitude of life insurance peddlers. They have had a bad effect, not only on the whole time agent, but the insuring public.

Mr. Davis thinks that a good beginning has been made in the effort of a group of companies to refuse to appoint part-time men in urban centers. He acknowledged that the Penn Mutual has had to do considerable housecleaning and has canceled more agency contracts than it has made this year. He referred

Are You Interested in Territory in—

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☐ INDIANA ☐ MICHIGAN ☐ MINNESOTA

Name

Address

City and State

Check the territory, fill in the coupon, and return to

ROCKFORD LIFE INSURANCE CO.

Rockford, Illinois

Monthly Income Insurance And How To Write It

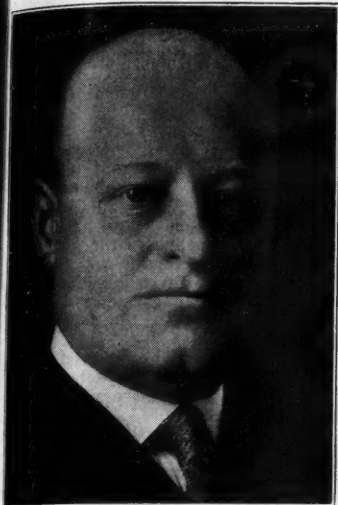
By HARRY McNAMER

Price \$2.00

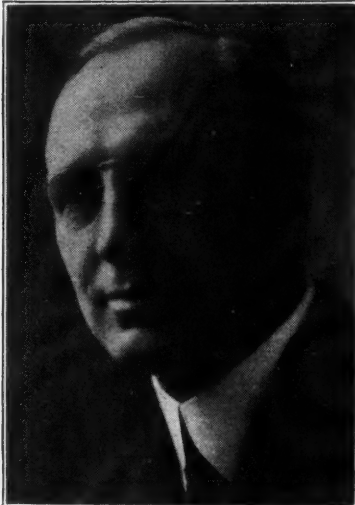
IN this book Mr. McNamer emphasizes the widespread need and the growing use of income insurance. He has been specific in showing how it will fit individual requirements. Mr. McNamer is a successful life underwriter, specializing in income insurance.

Order from The National Underwriter, 1946 Insurance Exchange, Chicago.

Members of Executive Group



HARRY R. WILSON
Vice-President American Central Life



T. A. PHILLIPS
President Minnesota Mutual Life

to the necessity of properly training new men, but he thinks that proper attention has not been given to retraining the older agents.

He stressed the necessity of agency departments getting out timely suggestions at the right time. There should be a few ready arguments to meet situations and conditions as they arise. He said that there should be real alertness in getting out timely material. A company, he said, must keep well posted and ahead of the profession. The Penn Mutual felt that too many of its agents were satisfied with selling \$1,000 policies. It started a campaign with sound suggestions and convincing arguments to get its agents to move away from selling \$1,000 life insurance, but to confine their talks to selling so much monthly income, \$50 a month, \$55 a month, \$100 a month or whatever seemed desirable. This has had the effect, he said, of increasing the average amount of the policy. Mr. Davis declared that in agency management as well as in life insurance selling, mental attitude is more important than mental capacity. He said that an agency manager must point out step by step the methods and ways to reach and gain an objective.

L. O. Schriver Presents General Agent's Viewpoint

Mr. Whatley said, when Mr. Davis finished speaking, no man was better qualified to discuss field problems. He commented that in casting around for speakers, men who were practical and knew what was happening on the firing line were sought. This led to selection of Lester O. Schriver, recently elected president of the National Association of Life Underwriters, and an able general agent of the Aetna Life at Peoria, Ill., whom Mr. Whatley introduced.

Mr. Schriver prefaced his address with the remark that it was something of a job to follow S. F. Clabaugh and F. H. Davis on the program. He then proceeded with his set talk, stating that solution of the problem of building and maintaining agency morale had not yet been found. However, he said, progress has been made in the field of agency management in the last few years.

Convention Notes

Foster Farrell, the new executive secretary of the National Fraternal Congress at its Chicago office, was present at many of the meetings.

T. H. Tangeman of Columbus, O., general counsel Columbus Mutual Life, attended this year in his new official capacity, he having formerly been state director of trade and commerce.

New A.L.C. Head Takes His Post

(CONTINUED FROM PAGE 1)

rank in life insurance administrative circles.

At the special executive session of the American Life Convention Thursday afternoon, the chief subject was the rating of companies. The executive committee in a report recommended that the organization endorse the resolution adopted by the National Convention of Insurance Commissioners at its Seattle gathering which condemned ratings and left action with each commissioner to apply in his state as he saw fit. Furthermore it was recommended that the convention ratify, approve and confirm the resolution adopted by the A. L. C. executive committee at St. Petersburg, Fla., which advocated the widest possible dissemination of comprehensive information as to companies but disapproved all comparative ratings. The only negative votes were recorded by the Continental Assurance of Chicago, Illinois Bankers Life and Philadelphia Life. There were no fireworks at the session and it lasted about 40 minutes.

Alfred M. Best, his general counsel J. McElraevy; his business manager Arthur Snyder; Vice-president Raymond T. Smith and Special Representative Frank Matre of the Best Co. were at the hotel all the week in conference with company executives.

Harry L. Seay, president Southland Life, chairman annual meeting arrangements, brought in the recommendation of Dallas for the 1936 meeting. W. T. Grant, Business Men's Assurance reported for the accidental death committee and Allen May, General American, for the uniform laws committee.

Mr. Nollen is Iowa born and bred, Iowa educated and has engrained in his system and mentality the vigor and aggressive spirit of his state. His native community was Pella, Ia., where he was born Aug. 29, 1880. He graduated at Grinnell College, Grinnell, Ia. He secured the Ph.D. degree in 1902. He immediately, on graduation, went with the Bankers Life and started the ground work of his insurance knowledge and career. He subsequently connected with the Royal Union Mutual Life of Des Moines in 1903 and then went with the Equitable Life of Des Moines in 1904, remaining there until 1912, serving as actuary for the last four years. In 1912 he was appointed actuary of the Bankers Life, thus returning to his first love, became a director in 1913 and also was appointed secretary in that year. He

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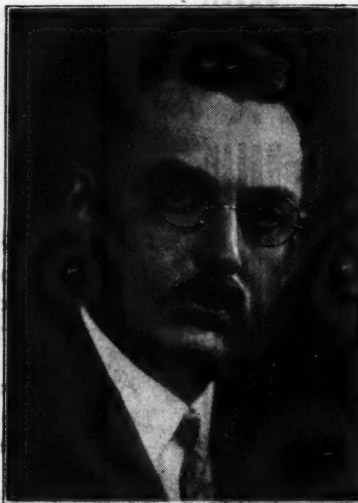
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Two Organization Managers



V. P. WHITSITT



ROGER B. HULL

Two of the prominent New Yorkers on hand during the week were Roger B. Hull, managing director of the National Association of Life Underwriters, who brought official greetings from that organization and Vincent P. Whitsitt, manager of the Association of Life Insurance Presidents, which is always represented at American Life Convention Meetings.

was elected vice-president in 1919 and was chosen president in 1926.

His brother, Henry S. Nollen, is also president of a Des Moines company, the Equitable Life. Henry S. Nollen was connected with the Bankers Life in his early days, being secretary and director. In 1913, Henry S. Nollen, resigned to become vice-president of the Equitable Life and the year before, Gerard S. left the Equitable to become actuary of the Bankers Life. The two Nollen brothers have been featured and being of substantial character and superior ability they have made themselves felt in life insurance circles.

Gerard S. Nollen was one of the organizers of the Des Moines Public Welfare Bureau. He is an ex-president of the greater Des Moines committee. He is a member of the board of trustees of Plymouth Congregational Church of Des Moines. He has always been active in public and civic affairs in his city.

As has been the custom, the retiring president becomes a member of the executive committee for a two-year period and hence H. K. Lindsley continues in the administrative circles of the American Life Convention. U. S. Brandt, president of the Ohio State Life, who was appointed on the committee for a short term to succeed Walter E. Webb, former vice-president of the National Life, U. S. A., was reelected on the committee for two years. W. T. Grant, the buoyant and energetic president of the Business Men's Assurance, starts on the committee as a new member.

At the afternoon session Friday there was a small attendance, inasmuch as there was no competition for the presidency or vacancies on the executive committee.

Col. Robbins reported for J. J. Moriarty, General American Life, chairman agency committee. Col. Robbins announced that he had secured from 200 companies copies of their aviation clauses and these will be assimilated and report made later on this subject.

George Graham, Central States Life, reported for the blanks committee. Changes in the life blank this year are numerous, but none are important, although some items have been clarified.

Col. Robbins read the report of the finance committee, Clifton Maloney, Philadelphia Life, chairman. The accounts had been audited. The committee found the financial condition satisfactory.

Memorial resolutions were presented on the deaths of Vice-president H. G.

Scott, Reliance Life; Samuel Elrod, vice-president Midland National, who was a former commissioner of South Dakota; O. B. Jackman, director of agencies, Bankers Life of Iowa; Dr. C. N. McCloud, vice-president and medical director Minnesota Mutual Life, former chairman Medical Section; J. P. Yort, vice-president Acacia Mutual; J. Stanley Lowell, assistant general manager and executive secretary London Life of Canada; Rupert F. Fry, founder and chairman of the board of the Old Line Life of Milwaukee.

Eliminate Junior, Home Office Management Sections

The by-laws were amended to eliminate the junior and home office management sections that have not been active. A vote of appreciation was given to the Edgewater Beach Hotel and Managing Director W. M. Dewey. The executive committee was authorized to appoint the state vice-presidents who are the legislative representatives of the association.

F. W. McAllister, Kansas City Life, chairman tax committee, called attention to the constant increase in tax items. Municipal, occupational license taxes are now coming more in vogue, especially in the southern cities.

E. McConney, Bankers Life of Iowa, chairman under-average lives committee, reported that the manual had been completed, presenting a very prosaic subject in a breezy style. Copies are now available.

The committee on valuation of assets reported through G. S. Nollen, Bankers Life of Iowa. He referred to the adoption of the plan for next year's statement by the Insurance Commissioners Convention and expressed the opinion that wise action had been taken. The suggestion was made that the A. L. C. committee keep in touch with the commissioners' committee.

Lee N. Parker, president American Service Bureau, gave the annual report on that institution. President Lindsley stated the bureau had saved members thousands of dollars. He asserted that it was in very fine shape. It has shown an operating profit every month for 11 years.

Dr. W. E. Thornton of the Lincoln National, chairman medical examiners' committee, suggested that an approved list of medical examiners be compiled with nomenclature noting qualifications of the doctors.

W. T. Grant, Business Men's Assurance, moved a vote of thanks to U. S.

Brandt, Ohio State Life, chairman program committee, for the splendid work done for this meeting. Mr. Brandt stated that his colleagues, Dr. H. W. Dingman and James A. McLain, helped greatly as did the convention office. After many votes of thanks, A. Gordon Ramsay, Canada Life, suggested that every one in attendance be thanked by name.

L. J. Dougherty, president Guaranty Life, Ia., and former head of the convention, nominated Gerard S. Nollen, Bankers Life of Iowa, for the convention head. U. S. Brandt, Ohio State Life, supported the nomination Mr. Dougherty, T. A. Phillips, Minnesota Mutual, and Henry Abels, Franklin Life, escorted Mr. Nollen to the platform.

Two Iowa presidents will be in command of the convention this year as Col. Robbins, manager and general counsel, is president of the Cedar Rapids Life.

Mr. Nollen said he believed in steady progress rather than spectacular demonstrations. He paid praise to the retiring president.

O. J. Arnold, Northwestern National, nominated H. K. Lindsley, the retiring president, as a member of the executive committee. Walter E. Webb, Hercules Life, placed U. S. Brandt in nomination to succeed himself on the committee. J. B. Reynolds, Kansas City Life, nominated W. T. Grant, Business Men's Assurance, for a post on the committee. President Nollen presented the silver handed gavel to his immediate predecessor, H. K. Lindsley, who responded in deep emotion. President J. B. Reynolds, Kansas City Life, according to custom, closed the session.

Conn W. Moore Fraternizes

Conn W. Moore, former Omaha general agent of the Home Life, who served a short time as Nebraska insurance commissioner and was recently ousted in a row with the governor, was on hand. He desires to reenter the life insurance business, its tranquility now being appreciated by him.

Inasmuch as so many members of executive committee of the Health & Accident Underwriters Conference were present, a meeting was held one evening over which G. R. Kendall, Washington National, presided as chairman.

Byron K. Elliott, former manager and general counsel American Life Convention, now general solicitor John Hancock Mutual, sent a telegram of good wishes as he could not be present.

The American Life Convention got out a booklet with the registration list giving hotel rooms.

Reports Progress in Service Bureau Work



LEE N. PARKER
President American Service Bureau